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WORLD NEWS

Rafsanjani set to win Iranian poll

Iranians went to the polls for the first time since the death of Ayatollah Khomeini in June, and it seemed certain that voters would choose Hojatoleslam Ali Akbar Hashemi Rafsanjani as the new executive President.

Voting began slowly but apparently picked up. The authorities extended polling for two hours, giving the electorate of some 25m Iranians 12 hours in which to cast their ballots. A referendum on constitutional changes including enhanced powers for the presidency, was conducted simultaneously with the election. Leader who stresses importance of modernisation for Iran, Page 2

Bush warns Congress

President George Bush warned the Democrat controlled Congress that key votes this week on funding both defence and the savings and loans rescue plan risked undermining the US negotiating position with the Soviet Union and sending the wrong signals to financial markets over the Federal deficit. Page 22

India withdraws troops

India has agreed to begin withdrawing troops from Sri Lanka from today. It has also promised to start talks on ending military operations against the Tamil Tigers Eelam guerilla group. Page 2

China corruption moves

China announced investigations into two of the country's best known state-owned companies and the break up of a corporation closely linked to the son of Deng Xiaoping, the country's paramount leader.

Ford raising prices

Ford, the leader of the UK car market, is to raise its car prices by an average of 4.7 per cent with effect from August 3. The rise, the second by Ford this year, is expected to trigger a round of increases from other car makers in the next few weeks. Page 4

Israeli raid

Israeli commandos seized a Moslem fundamentalist leader and two of his associates in a helicopter raid on his home in south Lebanon. Page 2

Three Soviet N-subs lost

The Soviet Union has lost three nuclear submarines in accidents in the last 25 years and a fourth sank but was raised with "minimal consequences," said Admiral Vladimir Chernavin, head of the navy.

Four students drown

Four British students drowned when their dinghy sprang a leak and sank off Donegal on the west coast of Ireland. Police named one of them as Matthew Hallifax, son of Sir David Hallifax, Constable and Governor of Windsor Castle.

Heseltine sanguine

The Conservative majority "is large enough to be invincible in anything but the most catastrophic of situations," Michael Heseltine told the FT in an interview yesterday. Page 22

Planning proposals

The Government proposed radical changes to streamline the town and country planning system and to make it self-financing. Page 3

London hosepipe ban

Thames Water will introduce a hosepipe ban in Greater London from Monday.

Weather is 'normal'

The fine weather the UK has been enjoying is "well within the normal variation," according to John Houghton, director-general of the Meteorological Office. Page 4

Australia poised

Australia reached 219 for three at the close of the second day of the Fourth Test at Old Trafford. Earlier England were all out for 260 when Robin Smith was dismissed for 143.

BUSINESS SUMMARY

Lloyds makes £464m debt write-off

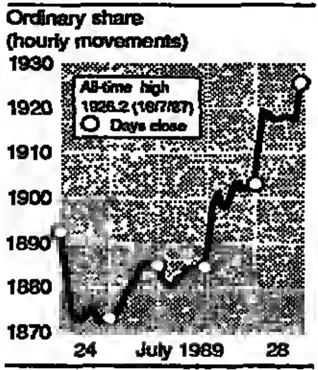
Lloyds Bank wrote off £464m against developing country debts in the first half of this year, reviving the spectre of Third World debt which haunts the "Big Four" UK clearing banks.

As a result, Lloyds' pre-tax profits in the first half of this year dropped to 228m, less than a quarter of what they were a year ago. However, the City responded with approval to Lloyds' move, regarding it as a prudent step. Page 22; Lex

UK EQUITIES: The London stock market continued its week's climb and the FT-SE 100 Share index broke through the 2,300 mark yesterday to levels not seen since before the October 1987 crash. The gain of more than 22 points in the index was supported by significant demand from European, US and Japanese institutional investors. Markets, Page 15; Lex, Page 22

FT Index

Ordinary share (hourly movements)



AVIS Europe, the car leasing and rental group which three years ago was floated off from its US parent, Avis Inc, may be bought back by its original owner. Page 8; Lex, Page 22

TEXAS Eastern, the US gas transmission company, won the right to nominate a buyer for its UK subsidiary, Texas Eastern North Sea, paving the way for a possible settlement of the disputes surrounding its agreement to sell Tenneco, which owns a large spread of North Sea oil interests, to Enterprise Oil for $961m. Page 4

HANSON Industries, the US arm of Hanson of the UK, has accepted a lower price than it expected for the sale of shares in Smith Corona, its typewriter subsidiary. Page 8; Lex, Page 22

HOLIAN Investments, Hong Kong electrical manufacturer, is to set up a factory to make electrical goods at Dundonald, near Belfast, and is the first Hong Kong investment in Northern Ireland. Page 3

VIDEOTRON, the Canadian cable TV company, is joining the North Eastern Electricity Board and Tyne Tees Television to bid for the Tyneside cable TV franchise. Page 3

OXDON Investments, the Toronto group led by Unicorp Canada, has raised its offer for Steinberg, the Canadian retail and property group, by nearly C$50m to just over C$1.3bn (£663m). Page 11

SOVIET Union is to spend £100m on British consumer goods, ranging from razor-blades to ladies' tights, shoes and cassettes by the end of the year. Page 4

BRAZIL'S carmakers appeared on collision course with the government after sharp rises in steel prices and increases demanded by component suppliers. Page 3

GREGGS, the Newcastle-based baker, lifted pre-tax profits by 47 per cent from £1.68m to £2.47m in the 24 weeks to June 17, helped by the mild winter and lower than expected ingredient price increases. Page 8

TSB Trust of the UK is joining Bank Cariplo, the Italian savings bank, and Caisse National de Prevoyance, the French life insurance organisation, to form a life insurance company in Italy. Page 8

Row over charges may hit timing of water flotation

By Richard Evans

THE TIMING of the planned flotation of the water industry could be in jeopardy because the chairmen of the 10 water authorities in England and Wales are preparing to reject the charging formulae proposed by the Government after privatisation.

Mr Michael Howard, Water Minister, has called all the chairmen and their advisers in for discussions on the future charging policy on Monday, but there are plans to refuse to sign any agreement unless the Government's terms are improved substantially.

The minister has been told that unless there are "significant increases" allowed, the privatised businesses could not be presented by the chairmen in the flotation prospectuses "without heavy qualification."

Concerns have also been expressed to Mr Howard about the attraction of the new public limited companies to investors, particularly institutions, unless realistic charges can be levied to cover heavy capital spending programmes and reasonable dividends.

The privatised authorities, together with the 29 statutory water companies which provide a quarter of the water supply in England and Wales, are to be allowed to raise charges after privatisation by the retail prices index plus a factor known as K. This will take account of increased efficiency as well as capital spending requirements.

The Government's intention is to announce the K figures next Tuesday. These will be different for each authority and cover a 10-year period. But there has been so much frustration within the industry at the way ministers want to keep prices down after privatisation for political reasons that this target might not be met.

There is clearly a great deal of bluff and counter-bluff as the negotiations reach a critical stage, however, and some industry leaders admitted yesterday that the Department of Environment had made concessions on K recently that could make agreement possible, if difficult.

The negotiatinns are cnnducted separately with each authority, and some are clearly nearer to agreement than others. Tactical difficulties for the Government will increase if

Prospect nf more water torture, Page 8

Tony Andrews

Jubilant dockers chant their support for Mr Ron Todd outside Transport House, London, yesterday

Dockers to intensify strike

By Michael Smith, Labour Staff

BITTER confrontation loomed in Britain's docks yesterday after union leaders voted overwhelmingly to intensify the national dock strike in spite of a drift hack to work among dockers.

The first test was expected at 8am this morning in Southampton. Dozens of Liverpool dockers were expected to picket a meeting called by Southampton dockers to consider ending the strike.

Next week, the TGWU general workers' union is to hold a series of meetings to urge dockers who have returned to work to reconsider their decision. It will also ask for support among members in ports which were not formerly covered by the National Dock Labour Scheme.

Yesterday's decision to press ahead with the strike was made in spite of claims hy national employers that only 45 per cent of former registered dockers were still on strike.

The National Association of Port Employers described the vote by the 95-strong Dock Delegate Committee as a tragedy. "It seems they are hell bent on a suicidal drive for extinction," said Mr Nick Finney, director of the National Association of Port Employers.

"We believe many more dockers will ignore this extremist approach and return to work."

Before yesterday's meeting, some delegates, including those from Hull and Southampton, had been instructed hy dockers to argue that the strike's aim of negotiating a national replacement for the dock labour scheme was unattainable and that a return to work should be organised.

However, Mr Ron Todd, TGWU general secretary, swayed the vast majority of delegates with his argument that the strike could not be abandoned until dismissed strikers were reinstated.

He said that the employers had shown themselves to be openly anti-union by dismissing 16 shop stewards in Tilbury earlier this week.

Mr Todd made clear that although the main concern of the strike was protecting members, the union still intended to negotiate a national agreement. After the meeting, Mr Todd was loudly cheered by a gathering of about 300 dockers, many from Liverpool.

He will facer a stiffer examination next week, when – along with other union leaders such as Mr Bill Morris, his deputy, and Mr John Connolly, national docks officer – he addresses mass meetings at working ports.

Mr Todd said that employers had used almost gangster methods by threatening employees with dismissal to get them back to work. He said the experiences of the union in London demonstrated that the aim of the employers was to destroy trade unionism.

"We will say to dockers that they may be all right this week, but they could be a target next week."

The Nape said yesterday that, although there were 4,120 dockers on strike yesterday, another 2,524 were working, and 2,577 had taken redundancy. It said dockers at the port of Blyth returned to work yesterday making a total of 34 ex-scheme ports working normally.

The TGWU will consider how to intensify its strike campaign at a series of meetings on Tuesday.

● Mr Norman Fowler, Employment Secretary, last night condemned the continuation of the strike as "self-destructive" and hoped the mass meetings would not turn into "mass intimidation."

He said: "The tragedy of the position is that there is a bright future for British ports. The end of the dock labour scheme removed the most important barrier to the development of our major ports and the areas surrounding them.

"The only effect of the strike is to drive business from the ports and stop investment in and around them. Already, around 40 per cent of the former registered workers left in the industry are back at work.

"I hope that in the next few days commonsense prevails and the other dockers join them."

End of the rail dispute, Page 5

American Express in apology to banker

By William Dullforce in Geneva

ONE of the most unusual letters to have been written by the head of a major US corporation emerged yesterday when Mr James Robinson, chairman of American Express, made a public apology to Mr Edmond Safra, the reclusive Geneva-based banker.

Mr Robinson acknowledged that persons acting on American Express's behalf had been the source of "untrue and defamatory" media stories about Mr Safra. These persons had been responsible for "an unauthorised and shameful effort" to use the media to malign Mr Safra and Republic National Bank of New York, which Mr Safra controls. Mr Robinson said the US financial and travel services group was paying $1m (£602,000) each to four charities chosen by Mr Safra.

In his letter Mr Robinson said: "The entire matter saddens me personally. This effort was totally contrary to the standards and conduct of American Express... Therefore I want to apologise to you and your organisations."

He assured Mr Safra that he had "taken the actions necessary to assure that this effort has been terminated and that, in the future, no one affiliated with American Express will be a party to such behaviour against you or your banks."

In his reply Mr Safra wrote that he believed Mr Robinson had no personal involvement in, or knowledge of, the false rumours about him and Republic National Bank.

He described the American Express chairman as "a person of decency and honour".

An examining magistrate in Geneva is due to hear on August 23 a case in which Mr

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Weekend FT

WORSE THAN CHERNOBYL

Christian Tyler reports on an ecological disaster that threatens Soviet unity

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Broker bonds: will SIB's axe fall?

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Lucia van der Post on the best-dressed summer tresses and foldaway furniture for lazy days in the sun

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Saleroom

Antony Thorncroft on a record-breaking year for the auction houses

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Sport

Preview of the Admiral's Cup, plus a review of the Open

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Bank warning letters may trigger more resignations

By Barry Riley

LETTERS to be sent out within the next few days by the Bank of England, using its powers under the Banking Act 1987, are likely to trigger further resignations in the Blue Arrow affair.

Some of the letters will be sent to banks, warning them that certain of their employees will no longer be regarded as fit and proper persons for the positions they hold, and that their continued presence would risk the loss of the institution's banking licence.

Parallel letters will be dispatched to the individuals involved.

In this disciplinary exercise, the Bank will in part be seeking to balance what is widely regarded as the rough justice handed out by the Department of Trade inspectors in their report on events at County NatWest.

The Bank claims to have extra evidence which it has gained from its supervisory activities, and its list of unfit persons is likely to include several who have escaped censure by the inspectors.

It also emerged yesterday that senior City figures who were not criticised in the Department of Trade and Industry report may face disciplinary action from The Securities Association over their role in the affair.

Lord Boardman resigned on Tuesday as chairman of NatWest, along with three NatWest directors after the criticisms of the bank over its handling of the Blue Arrow £837m rights issue two years ago. The DTI inspectors claimed that it had failed to comply with the Companies Act.

Earlier this week Lord Alexander, the QC who is to take over as chairman of National Westminster Bank in October, criticised the way that the department's inspectors can make comments which end the careers of individuals.

It is not known who is on the Bank's list, and because of the strict secrecy which applies in such cases, it will be possible to guess the extent of the Bank's intervention only indirectly from the departure of individuals from NatWest and elsewhere.

Those challenged by the Bank have 14 days to respond, and the Bank then has a further 14 days to consider any further evidence. Finally, there is a right of appeal to a tribunal. However, it is regarded as likely that individuals will resign rather than pursue this course.

Only two persons have ever appealed to the tribunal in the past, and both lost their cases. All the resignations so far have been voluntary, and have not resulted from the use of statutory powers by the Bank.

Althnngh the Bank of England will be widening the net, it is possible at the same time that officials will be lenient towards some or all of the senior NatWest directors who have resigned but might seek employment elsewhere.

TSA report, Page 4

MARKETS

STERLING	DOLLAR	STOCK INDICES
New York lunchtime:	New York lunchtime:	FT-SE 100:
$1.6465	DM1.8880	2,306.0 (+22.5)
London:	FFr6.3940	FT Ordinary:
$1.6450 (1.6600)	SFr1.6220	1,924.8 (+22.5)
DM3.1050 (3.1025)	Y139.53	FT-A All Share:
FFr10.5150 (10.5075)	London:	1,176.69 (+0.8%)
SFr2.6725 (2.6675)	DM1.8870 (1.8690)	FT-A long gilt yield
Y229.50 (230.50)	FFr6.3900 (6.3300)	index high coupon:
£ index 93.2 (93.4)	SFr1.6240 (1.6075)	9.37 (9.40)
GOLD	Y139.55 (138.85)	New York lunchtime:
New York Comex Aug	$ index 69.6 (69.1)	DJ Ind. Av.
$368.8	Tokyo close: 139.45	2,639.61 (+4.18)
London:	US LUNCHTIME RATES	Tokyo: Nikkei
$368.75 (374.25)	Fed Funds 8½	34,705.63 (−79.65)
N SEA OIL (Argus)	3-mo Treasury Bills:	LONDON MONEY
Brent 15-day Aug	yield: 8.11%	3-month interbank:
$17.075 (17.275)	Long Bond: 110½	closing 13⅞ (same)
Chief price changes yesterday: Page 22	yield: 7.97%	

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Austria Sch22; Bahrain Din0.700; Bermuda $1.50; Belgium BFr50; Canada C$1.00; Cyprus C£0.90; Denmark DKr10.00; Egypt E£3.25; Finland Fmk7.00; France FFr7.00; Germany DM2.50; Greece Dr150; Hong Kong HK$12; Iceland IKr125; India Rup15; Indonesia Rp3,100; Ireland £0.60; Israel NIS3.50; Italy L1700; Japan Y600; Jordan Fils.500; Kuwait Fils.600; Lebanon $1.25; Luxembourg LFr50; Malaysia Ringgit; Mexico Peso; Morocco Dh8.00; Netherlands Fl3.00; Norway Nkr10.00; Portugal Esc140; S.Arabia Rls7.00; Singapore $S4.10; Spain Pta140; Sri Lanka Rup30; Sweden SKr10.00; Switzerland SFr2.40; Taiwan NT$95; Thailand Bht50; Tunisia Din0.800; Turkey L800; UAE Dh7.00; USA $1.00.

Indian army to begin Sri Lanka pullout today

By K K Sharma in New Delhi

INDIA has agreed to begin withdrawing its troops from Sri Lanka from today. It has also promised to start talks on ending military operations against the Tamil Tigers Eelam, the guerrilla group the Indian army has been fighting for nearly two years.

The move was announced in a joint communiqué issued yesterday in New Delhi and Colombo, and was the climax of three days of intense diplomatic activity in both capitals to defuse the crisis created by Sri Lankan President R. Premadasa's ultimatum for the withdrawal of the 50,000-strong Indian peace-keeping force by today.

The announcement follows a wave of violence of increasing intensity, including fierce fighting between rival Tamil factions, claiming among others the lives of Mr A. Amirthalingham, a distinguished Tamil MP and secretary-general of the Tamil United Liberation Front, Tamil leader U Maheswaran, and the Sri Lankan government's chief censor.

Exact numbers of casualties are difficult to establish, because of the strict censorship lifted only recently, but independent sources estimate that the violence, involving army and rebel forces alike, has killed hundreds of soldiers and civilians and injured thousands.

Today also marks the second anniversary of the Indo-Sri Lanka accord which brought the Indian army to Sri Lanka. Mr Rajiv Gandhi, India's Prime Minister, had refused to withdraw the army, on the grounds that the promised devolution of power to the north-eastern provincial council of the Tamils had not been carried out as provided in the accord and that the Tigers had not surrendered their arms. Mr Gandhi had also maintained that the troop withdrawal could not be decided unilaterally by Sri Lanka.

By agreeing to make a token withdrawal today, Mr Gandhi has assuaged Sri Lankan feelings, and by agreeing on talks on ceasing operations against tha Tigers, the basis has been laid for discussions on the future set-up in north-eastern Sri Lanka, where most Tamils live.

The Sri Lankan Foreign Minister, Mr Ranjan Wijeratne, will reach New Delhi today to begin talks on the entire accord and relations between the two countries, which deteriorated after Mr Premadasa's demand for the Indian troop withdrawal. The chances of working out a compromise on the future of the Tamils and a total Indian troop withdrawal have improved considerably.

Meanwhile, a country-wide curfew was imposed to prevent incidents, although some bomb attacks on Indian banks and business establishments have already taken place.

Israeli troops kidnap Moslem leader in south Lebanon raid

By Hugh Carnegy in Jerusalem and Lara Marlowe in Beirut

HELICOPTER-borne Israeli commandos kidnapped a senior Moslem fundamentalist leader, accused of organising attacks on Israel, and two associates in a raid on his home in southern Lebanon in the early hours of yesterday.

The Israeli army said Sheikh Abdel Karim Obeid was in charge of the radical pro-Iranian Shia Moslem Hizbollah (Party of God) organisation in southern Lebanon and had authorised and helped plan attacks on Israel and Israeli troops, channelling weapons to guerrillas and sheltering them.

The action will be viewed with concern by Israel's Western allies for its possible repercussions on 17 of their nationals still being held hostage in Lebanon, many of them believed to have been kidnapped by Hizbollah. The abduction is only the most recent in a series of setbacks for Hizbollah, which lost its foothold in southern Lebanon to the rival Shia Moslem Amal movement in the spring of 1988.

In London, the Foreign Office deplored the Israeli raid. Dr Robert Runcie, the Archbishop of Canterbury, whose special envoy Terry Waite was abducted in Lebanon more than two years ago, said: "Kidnapping is an abominable crime whoever commits it, and when done by a state it is especially abominable. The man should be released immediately."

There was immediate speculation in Israel that at least part of the army's motive was to use Sheikh Obeid and his colleagues to secure the release of two missing Israeli soldiers and an air force navigator believed to be held by Hizbollah in Lebanon. Some years ago, similar action was taken to secure the release of Israeli prisoners from Syria, security officials said.

A military communiqué only made brief mention of the allegations against Sheikh Obeid. Reports from Lebanon said he was involved last year in the kidnap of US Colonel William Higgins, who was attached to UN forces in southern Lebanon at the time.

In recent months, the Israelis have accused Hizbollah of involvement in a number of clashes with Israeli forces and their local surrogate, the South Lebanese Army, and of aiding Palestinian insurgents in the border zone.

Several punitive raids have been made against Hizbollah bases.

Israel Radio said yesterday's action in Jibsheet, a village well north of the Lebanese security zone controlled by Israel, was carried out by a dozen commandos, who landed by helicopter. It said they tied up members of Sheikh Obeid's family and killed a neighbour who resisted, before making off with their captives.

Sheikh Obeid became the Imam or spiritual leader of the village's 18,000 residents in 1984, after his predecessor, Sheikh Raghab Harb, was assassinated – local villagers believe by the Israelis.

Sheikh Obeid repeatedly denied belonging to Hizbollah. But Col Higgins, the kidnapped American officer, is alleged to have been held for up to a week in Jibsheet – according to some reports, in Sheikh Obeid's home – before being transferred to Beirut. The Higgins abduction was claimed by the "Organisation of the Oppressed of the Earth", which accused him of being an American spy.

US telephone dumping probe

THE US Commerce Department is heading towards the imposition of tariffs on business telephone systems produced in Japan, South Korea and Taiwan and found to have been illegally sold in the US below their production costs, writes Nancy Dunne in Washington.

In a preliminary ruling on Thursday, the Commerce Department said Japanese companies had been selling products at prices well below domestic prices.

The US International Trade Commission has already issued a finding of injury by the dumping. The complaint was brought by American Telephone & Telegraph and Comdial.

Further investigations by the Commerce Department and ITC are scheduled before a final decision is announced in December. The Commerce Department acknowledged that its initial decision was based on incomplete data.

Foreign imports have made important inroads in tha US market for business telephone systems.

Taxpayers face $20m-a-day bill as S&L row goes on

By Peter Riddell

US TAXPAYERS face a bill of an extra $20m (£11.7m) a day as the White House and Congress argue over how costs of rescuing the savings and loans industry should be financed.

Late on Thursday, senators and congressmen agreed that $50bn of initial rescue costs should be included in the Federal Budget, but specifically excluded from the Gramm-Rudman deficit reduction provisions.

On-budget financing would be cheaper, since the Treasury pays lower interest rates than off-budget bodies.

But the Bush Administration and initially the Senate have favoured putting $50bn of the cost of selling bonds to help rescue troubled thrifts outside the budget in a semi-independent body.

Their view is that a waiver of the Gramm-Rudman law would unsettle the financial markets by apparently pushing up the size of the Budget deficit.

The danger now is of stalemate and possibly a presidential veto, since there is already a sufficient minority of Senate Republicans to block any waiving of the Gramm-Rudman deficit reduction provisions.

The Administration faces a dilemma since, while opposed to the proposals on on-budget financing, it welcomes the bill generally with its tough capital standards for S&L bodies, and wants to see its early enactment.

Any prolonged wrangling would delay final approval until after Congress starts its summer recess, due in a week's time, probably until mid-September. It has been estimated that the problems of the S&L industry are costing taxpayers $20m a day, since without legislative authority regulators do not have the funds to close down the most troubled bodies and pay off their depositors. Total cost of the rescue is now put at $166bn, including interest, over the next 10 years.

Caution over Cambodia conference

By George Graham in Paris

FOREIGN ministers began arriving in Paris yesterday to take part in an international conference on Cambodia, due to open tomorrow.

Diplomats are wary of forecasting success for the conference in its bid to find a peace settlement for Cambodia, which has been stricken by successive wars since 1970.

At least, however, the rival Cambodian parties have agreed at the last minute on a seating plan which places them in order of age, in a "unified and quadripartite" delegation, allowing the meeting to open as planned in the international conference centre on Paris's Avenue Kléber.

The formula will place Mr Hun Sen, the Cambodian Prime Minister, last, sitting next to his enemy Mr Khieu Samphan, the leader of the Khmer Rouge delegation.

The conference is also expected to prompt considerable diplomatic activity beyond the question of Cambodia. Mr Eduard Shevardnadze, the Soviet Foreign Minister, who was among the first to arrive in Paris yesterday, is to hold bilateral talks with his US counterpart, Mr James Baker, as well as with Mr John Major, the new British Foreign Secretary.

Mr Major is also expected to meet Mr Baker.

It will also be the first big foreign visit of Mr Qian Qichen, China's Foreign Minister, since the repression of the student protests in Tian Anmen Square at the beginning of June.

Mr Hun Sen warned yesterday that he thought there was little chance the Paris conference would reach a global settlement, covering both the international aspects and the internal differences among the rival factions.

He said, however, that there was much more chance of reaching agreement on the international aspects alone: the withdrawal of Vietnamese troops, due to be completed by September 27, the end of foreign military aid to the rival parties, and an international monitoring mechanism.

"We want a global solution and we think this is the best guarantee of a durable peace, but concretely, we see that there is a chance of progress on the international front, while the internal side is completely bogged down," Mr Hun Sen said.

The prime minister said the main points of divergence between the Phnom Penh government and the resistance coalition were the role of the Khmer Rouge, under whose regime between 1975 and 1979 as much as a quarter of Cambodia's population was killed or died of hunger, and the role of the government and the army in the interim period before elections.

He proposed the creation of a supreme governing council, possibly to be chaired by Prince Sihanouk, to organise and monitor these elections, while the Phnom Penh administration continued to carry on with ordinary business, "like a housewife". The Khmer Rouge could take part in this council, but have only a political role.

Prince Sihanouk, on the other hand, believes it is impossible to exclude the Khmer Rouge from the transition, since their army, estimated at 45,000, is probably the most effective fighting force in Cambodia and controls large tracts of the country.

His resistance coalition has also rejected Mr Hun Sen's proposals for a ceasefire until a general settlement has been agreed.

The future role of the Khmer Rouge is expected, in any case, to hinge on the attitude of its main backer, China. Some diplomats have suggested China might be willing to make some concessions to try to win back international acceptance lost through last month's repression.

Atlantic City bribe charges

By Roderick Oram in New York

FOURTEEN political and business leaders of Atlantic City have been charged with bribery and corruption, further damaging the efforts of the depressed New Jersey resort to revitalise itself through its gaming industry.

Mayor James Usry became the fourth of the past six mayors to face such charges. "Corruption has reached into the highest levels of Atlantic City municipal government," said Colonel Clinton Pagano, superintendent of the New Jersey state police.

"Each corrupt government sets us back another decade," said Ms Dolores Cooper, a member of the state assembly who lost the 1986 mayoral election to Mr Usry. The first black mayor, he was backed by whites dissatisfied with the city's performance.

Other people charged included three of the city's nine council members, a former director of the city's housing authority and several local businessmen.

A seven-month undercover operation discovered a number of separate schemes which allegedly involved various combinations of defendants. They included accepting bribes for exemptions to rent-control and construction zoning regulations and attempts to gain control of the airport gift shop and an electric passenger cart business on the seafront Boardwalk.

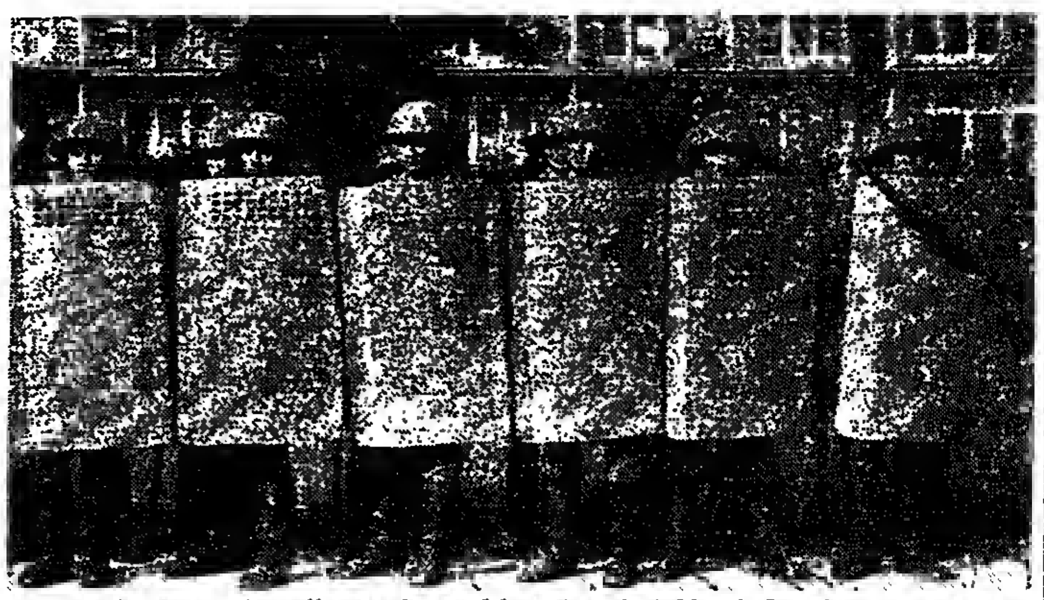
New Jersey voters approved gambling in Atlantic City in 1976, hoping a new industry would revive the deeply depressed resort. The town, 130 miles south of New York City, has since sprouted 11 casinos, with Mr Donald Trump, the New York investor the dominant owner.

Cut-throat competition and reliance on day-trippers and low-rollers has left the industry barely profitable. The surrounding county has benefited from the activity but the city itself is as bombed out today as it was a decade ago, apart from the strip of casinos along the seafront.

French deficit down

France's foreign trade deficit narrowed in June to FFr2.8bn (£267m), after seasonal adjustments, compared with a gap of FFr6.7bn in May, writes George Graham in Paris.

Imports climbed fractionally to FFr100bn while exports rose by 4.5 per cent from the previous month to FFr97.2bn.



A unit of Soviet anti-riot police stands guard in e street in Sukhumi, Georgia, where the latest wave of ethnic unrest between Georgians and Abkhazians has killed 19 people.

Polish communists start post mortem on election defeat

By Christopher Bobinski in Warsaw

POLAND'S Communist Party Central Committee yesterday began a two-day debate on the party's defeat in elections last month, with the prospect of a shake-up in the party leadership today.

The central committee will be asked to back Mr Mieczyslaw Rakowski as the new party leader and Gen Czeslaw Kiszczak as the prime minister.

Yesterday Mr Wladislaw Baka, the party's first secretary responsible for economic policy, made the first move by offering to resign in a speech attacking the policies of the present Government, led by Mr Rakowski, a Politburo colleague.

Mr Baka repeated criticisms made by the Central Committee's economic commission, which on Monday accused the Government of permitting inflation to get out of hand and going too far in liberalising the country's financial system.

Mr Baka, who is a contender for the post of Prime Minister, has also been warning against the introduction of higher food prices next week, arguing that the operation should be better prepared. The Government, which has been pressing for the move, is waiting for the Solidarity trade union to make its position clear at a meeting in Gdansk today before taking a final decisions.

Yesterday, the party leadership defended its decision to go ahead with last month's elections, arguing that they had served to bring the opposition into the political system. Otherwise, the leadership warned, discontent on the shop floor over the worsening economic situation could have brought the country to the brink of a catastrophe.

The meeting brought into the open some of the tensions between the central committee and the party's parliamentary deputies, many of whom have been complaining that they received no support during the elections from the party machine.

The accusation was formulated by Mr Krzysztof Komornicki, a deputy from south-western Poland, who argued that the parliamentary group should have as much say on party policy as the Central Committee, which on paper at least is the top policy-making body between party congresses.

Mr Komornicki also came out strongly against attempts to conduct a witch-hunt against his parliamentary colleague, Mr Marian Czerwinski, who was the only one of the 173-member group to vote against General Wojciech Jaruzelski in the election for president last week.

Call to ground DC-10s rejected

By Roderick Oram in New York

MCDONNELL DOUGLAS, maker of the DC-10 airliner, and federal regulators have rejected a call from a leading US passenger lobby group to ground all types of the aircraft after two fatal crashes in eight days.

In a further incident yesterday a Canadian Airlines DC-10 landed safely at Toronto airport without a nose wheel. The flight crew were unaware the wheel had fallen off when the aircraft left Rio de Janeiro. The two earlier crashes, killing nearly 200 people, were in the US and Libya.

The International Airline Passengers Association asked the Federal Aviation Administration to ground all DC-10s while their hydraulic systems were modified. In the US crash, a disintegrating rear engine is understood to have severed hydraulic lines leading to the tail controls.

"There's nothing that's come out of the Sioux City accident indicating a basic design flaw that would warrant such an action," said Mr Jay Leyden, an FAA spokesman.

"I find it difficult to believe that a rational public, a rational FAA and even a rational Congress will put very much credence in the statements of the IAPA," said Mr Dale Warren, a McDonnell Douglas vice president.

State of the art perturbs Senate

By Peter Riddell, US Editor, in Washington

THE US Senate has set itself up as an arts censor by banning Federal grants which "promote, disseminate or produce obscene or indecent materials" and for work that "denigrates, debases or reviles a person, group or class of citizens on the basis of race, creed, sex, handicap, age or national origin."

The breadth of the restriction, inserted late at night by the Senate after less than five minutes' debate, has infuriated the arts world in the US. Comparisons have been drawn with the censorship of totalitarian governments.

None of this worries the author of the amendment, Senator Jesse Helms, the maverick populist Republican from North Carolina.

His immediate inspiration was two recent exhibitions indirectly funded by federal money – one of work by the late Mr Robert Mapplethorpe which includes photographs of homosexual and sadomasochistic practices, and the second of work by Mr Andres Serrano, including a photograph showing a plastic crucifix submerged in tha artist's urine.

Senator Helms argues that, "if someone wants to write ugly nasty things on the men's room wall, the taxpayers do not provide the crayons." As to fears of the art world that federal support for classic plays and operas would be banned under his amendment, he argues: "There's a big difference between the Merchant of Venice and a photograph of two males of different races in an erotic pose on a marble-top table."

Federal money is distributed via the National Endowment for the Arts (NEA), which operates broadly like the Arts Council in Britain, allocating grants on assessments by panels of fellow artists. The House of Representatives has already voted to cut the NEA's budget by an amount equivalent to the money which went to the groups which organised the two exhibitions. The Senate approved a similar cut.

There is considerable sympathy in Congress for Senator Helms's objections to the use of federal money to fund these two exhibitions. But there will be strong pressure for his catch-all amendment to be watered down when it is considered by a House/Senate conference, either next week or, more likely, in September.

Mr J Carter Brown, the director of the National Gallery of Art in Washington, predicts that the Senate's action will not survive calmer reflection about the enforceability and practicality of such a law.

"I've been around Washington long enough to know that it's not over until the fat lady sings."

Yet even if tha fat lady does not sing Senator Helms's song, e message will have been sent to the NEA to be more cautious in awarding grants to possibly offensive works.

Exxon clean-up to continue

EXXON said yesterday it would continue the clean-up of oil-contaminated beaches in Alaska into 1990 if directed by the US Coast Guard, saying it would comply with "any reasonable request", writes Lionel Barber in Washington.

Mr William Stevens, president of Exxon USA, told a House sub-committee that Exxon stood by earlier pledges to return next spring "to reinspect the area to ensure the job has been properly done, and if not, to put it right."

His statement marked a shift from the oil company's position outlined in an internal memorandum saying current activity would stop on September 15 because of oncoming cold weather.

Mr Stevens said the wording was "unfortunate", and under questioning said it was not meant to suggest that Exxon would abandon the clean-up which began after the Exxon Valdez tanker spilt 10m barrels of oil in Prince William Sound.

Leader who stresses importance of modernisation for Iran

Scheherezade Daneshkhu profiles a survivor more concerned with international affairs than theological problems

HOJATOLESLAM Ali Akbar Hashemi Rafsanjani, who was yesterday set to receive an overwhelming endorsement in Iran's fifth presidential election, has long been regarded by many Iranians as an uncrowned king.

Second only to Ayatollah Ruhollah Khomeini, Hojatoleslam Rafsanjani has wielded effective political power in Iran since the mid-1980s.

A shrewd and clever man, he has in fact pursued at least two successful careers before climbing to the top of government – both as a writer and historian, and as a businessman.

Rafsanjani was born in 1934, one of nine children, to a comfortably well-off family near Rafsanjan, outside the southern city of Kerman.

His father, Mirza Ali, owned and farmed a modest amount of land in this pistachio-bearing region.

After the revolution, Rafsanjani's brother Ahmad became the managing director of the country's largest and most successful pistachio nut exporting company, with a workforce of 30,000.

Rafsanjani married into a religious family from the same area. The influence of his father-in-law, a prominent clergyman, probably prompted Rafsanjani to move to Qom, Iran's holy city and the centre of religious learning, and to become the only one of five brothers to pursue a career in the clergy.

In Qom, he became a disciple of Ayatollah Khomeini, and met many of the men who were to play a leading role in the Iranian Revolution, including Ayatollah Montazari, who was, until this year, the heir-designate to Khomeini.

During the turbulent years of the early 1950s, Rafsanjani supported prime minister Dr Mohammad Mossadegh, the man famed in the West for nationalising the oil industry while wearing his pyjamas, but remembered more fondly in Iran as the man who stood up to exploitation of the country's most valuable asset.

However, any suggestion that Rafsanjani's admiration for a secular nationalist lies in contradiction to his own beliefs can be quickly quashed.

For Rafsanjani also supported Ayatollah Kashani, a prominent cleric who took Mossadegh's side in the oil dispute, only to switch to the monarchy when the chips were down.

After the CIA-sponsored coup which deposed Mossadegh and brought Mohammad Reza Shah back to power, Rafsanjani returned to Qom but maintained relations with religious nationalist figures such as Mehdi Bazargan, the Islamic Republic's first prime minister, whose Freedom Movement boycotted yesterday's elections.

By this time, Rafsanjani had already been imprisoned – the first of four stints in jail – and was reported to have been tortured.

On his release, he set up a school in Tehran and under the guise of educational activities, continued to co-ordinate Khomeini's campaign from his place of exile in the Iraqi town of Najaf. During this time, Rafsanjani translated and published a book on Palestine by the Arab author, Dr Akram Zaitar, for which he spent another period in prison.

In 1967, his biography of Amir Kabir, the great 19th-century reformist prime minister, was published. It revealed Rafsanjani's admiration for a man who had supported Western methods of modernisation, including industrialisation, as a instrument of progress.

This is, in fact, an idea which appears not have left him. A few years ago, Iranian television, which is supervised by another of Rafsanjani's brothers, Mohammed, ran a series of programmes depicting the life and times of Amir Kabir.

More recently, in his election manifesto, Rafsanjani stressed the importance of education, training and technology for the country's development.

"Only satellite technology can solve our problems today," he said. "People should not think these are luxury things of the distant future."

In many ways, the two books set him apart from most of his contemporaries within the clergy.

While others wrote theological treatises, Rafsanjani was more concerned with international affairs and the problems of administering his country.

In the early 1970s, Rafsanjani turned his attention to more profitable matters.

Along with the brothers of Mohsen Rafiqdust (until last year Minister for the Revolutionary Guards), Rafsanjani bought and sold property in Tehran and its suburb, Karaj. Estimates of his money-making activities range from the modest to millionaire.

Some years before the revolution, Rafsanjani made a trip to Europe and the US, stopping off en route to meet Yassir Arafat, the leader of the Palestine Liberation Organisation.

When this was discovered by the Shah – who prided himself on maintaining good relations with Israel – Rafsanjani was once again sent to prison, where he remained until an amnesty just before the revolution.

He has gone from strength to strength ever since, first in the post of Interior Minister, then as parliamentary Speaker and now, the man to be President. His prominence has been characterised by his extraordinary ability to survive both physically and politically.

In 1979 he evaded an assassination attempt, and two years later he narrowly escaped a bomb blast which killed more than 70 senior figures in the Islamic Republic party, by leaving a meeting at its headquarters a few minutes before the explosion.

His sharp wits and uncanny political sense have helped him weave his way through the political minefield of post-revolutionary Iran.

Rafsanjani pulled through the "Irangate" scandal in a way that Ronald Reagan and Oliver North must have envied. Also, he finally managed to persuade Ayatollah Khomeini to abandon the war against Saddam Hussein's Iraq.

Earlier this year, Rafsanjani emerged unscathed from a severe setback to his foreign policy when Ayatollah Khomeini slammed the door to the West by unleashing a death threat against the British author Salman Rushdie.

Doubtless, one of the keys to Rafsanjani's success has been his ability to appeal to different groups at one and the same time. He has keen support among the Revolutionary Guards but also appeals to the private sector.

His liking for clever quips gives him popular appeal, and this has ensured that his Friday prayer sermons are well attended.

Rafsanjani is undoubtedly ambitious and strong-willed. But he is also a believer in teamwork and creating alliances: it is a moot point whether the Majlis (parliament) would have been such a lively debating chamber had he not been its speaker.

As the incumbent of a new enhanced presidency, Rafsanjani can be expected to become one of the country's most powerful rulers. He is known by his critics as Akbar Shah, after the Moghul emperor of India. But however powerful his position on paper, he can look forward to facing a heavy load of problems.

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OVERSEAS NEWS

OLD GUARD'S CANDIDATE DECLINES TO STAND FOR LEADERSHIP

Hunt starts for Japan's Mr Clean

By Ian Rodger in Tokyo

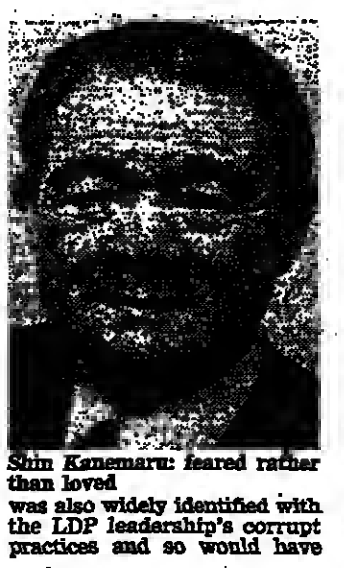
THE MAN considered the top candidate by the discredited leading figures in Japan's ruling Liberal Democratic Party has declined to stand in the elections on August 8 for a new party leader and prime minister.

Mr Shin Kanemaru's decision to rule himself out of the race appears to clear the way for an untainted younger man to take the leadership, a move which would, in the view of most political analysts, make it easier for the LDP to begin trying to regain public trust.

Last Sunday, the LDP suffered a crushing defeat in elections for half the seats in the upper house of the Diet, losing its majority in the house for the first time in more than 30 years. Party leaders attributed the defeat to public anger at involvement of LDP leaders in the Recruit bribery scandal and the introduction of a 3 per cent consumption tax in April.

The LDP's current factional leaders have been trying to maintain control of the party despite the obvious public disgust with their performance and the "money politics" that has characterised their rule. However, Mr Kanemaru, a leading figure in the old guard, did not say why he would not seek the party leadership, saying only that he would "never" become the party's president at a meeting with reporters yesterday.

Political analysts observed that the LDP needed an attractive new leader following the decision to resign by the present Prime Minister, Mr Sousuke Uno, after the party's electoral disaster. Although Mr Kanemaru was powerful, he was also widely identified with the LDP leadership's corrupt practices and so would have had difficulty inspiring public confidence.


Shin Kanemaru: feared rather than loved

Also, the LDP decided yesterday to hold the leadership election by secret ballot. Mr Kanemaru, who is feared rather than loved in the party, would probably fare badly in such a ballot. Mr Ryutaro Hashimoto, 51, the party's secretary-general, is widely considered the favourite in the early stages of the campaign.

Meanwhile, a statement by Mr Kanemaru on Thursday that the LDP should abolish the unpopular consumption tax drew immediate and sharp criticism from party leaders, Ministry of Finance officials and representatives of big business.

Mr Kanemaru said yesterday that he only meant that the party should "thoroughly review" the tax.

Business leaders go it alone in attempt to ease trade tensions

By Ian Rodger

JAPAN'S business leaders, apparently alarmed by the paralysis gripping their national government, are starting to take measures on their own aimed at easing trade problems with the US and other countries.

The Keidanren, the powerful federation of economic organisations, decided on Thursday to set up its own agency to help foreign businessmen experiencing difficulties in exporting goods to Japan. Meanwhile, big manufacturing companies are stepping up their own importing efforts in a bid to ease trade tensions.

In the past, Japanese business leaders have counted on government bureaucrats to handle trade problems and fend off complaints from foreign competitors about unfair trade practices.

However, as the country's trade surpluses have persisted in spite of the revaluation of the yen, it has become more difficult for the bureaucrats to satisfy foreigners. Also, the deterioration of Japan's political leadership in recent months has left the bureaucracy uncertain about the direction of trade policy.

Officials are worried, for example, about how to handle forthcoming negotiations with the US on structural barriers to trade. In the current political climate, with parties trying harder than ever to appeal to public opinion, no one is prepared to make concessions on such sensitive issues as trading practices.

At a Keidanren seminar near Tokyo on Thursday, Mr Akio Morita, chairman of Sony and a vice chairman of Keidanren, noted that many foreign businessmen claimed that nothing was ever done about complaints they made to the government-run Office of the Trade Ombudsman. The OTO, set up in 1982, has handled only 370 cases to date, and only a third of them have led to action.

The Keidanren accepted Mr Morita's suggestion that their own complaints body be set up and that advertisements be placed in big US magazines to publicise its existence.

Among other signs of business concern about trade friction, a number of large companies are stepping up their importing efforts and avoiding any increase in exports, despite the yen's recent weakening trend. For example, exports of motor vehicles fell 0.1 per cent in the first half of 1989 to 3.06m units, according to figures published this week by the Japan Automobile Manufacturers Association.

Also, Matsushita Electric Industrial, the giant consumer and industrial electronics group, said earlier this month that it would double its imports of parts and manufactured goods to Y420bn (£1.8bn) by 1993.

Current account surplus down by a third in June

By Ian Rodger

JAPAN'S current account surplus in June plunged by a third on a year on year basis to $4.1bn. It was the fourth consecutive month of declines in the surplus, reversing a rising trend in the previous nine months that had upset both Japanese and foreign officials.

The trade surplus dropped 13 per cent in June to $6.4bn as imports surged 12.8 per cent to $15.8bn and exports rose only 3.9 per cent to $22.2bn.

The long term capital account posted a deficit of Y1.6bn, and Japanese purchases of foreign bonds remained high at Y6.7bn.

The basic payments balance, combining the current and long term capital accounts, was $2.5bn in surplus and the overall surplus was $8.8bn.

On a seasonally adjusted basis, the current account surplus in June fell to $2.9bn from $3.4bn in May but the trade surplus rose to $5.7bn from $5.1bn.

Brazilian carmakers warn of shortages

By Ivo Dawney in Rio de Janeiro

BRAZIL'S carmakers appear back on a collision course with the government over retail prices, after sharp rises in steel prices and increases demanded by component suppliers.

Anfavea, the Brazilian manufacturers' federation, has warned the government that, if its demand for a 54 per cent rise in prices is not met, shortages will revisit the showrooms.

In 1986, at the end of the Cruzado Plan's price-freeze, second-hand cars were being sold at higher prices than new models because of the shortage of available stock. Cars are often bought as a hedge against inflation in Brazil, and their prices have sometimes outpaced the general rate of price rises.

In the first half, the Brazilian industry – Ford, Volkswagen, General Motors and Fiat – has seen a marginal 4.3 per cent increase in domestic sales to 353,297 units against the equivalent period last year. But total production has fallen from 524,977 to 482,167.

The margin is attributed to a sharp slippage in exports which, manufacturers fear, will achieve only 209,000 sales this year against 320,476 in 1988 and an even higher figure in 1987.

Anfavea attributes the decline to the difference between internal production costs and the devaluation of the cruzado against the dollar. The failure to devalue rapidly enough has slimmed profit margins by 66 per cent between the start of 1987 and April this year, the organisation claims. It argues that Brazil's highly protectionist computer market laws mean that problems are mounting in competing with the technology offered by other foreign carmakers in overseas markets.

Increases last month alone, of between 40 per cent and 70 per cent for key inputs from steel to rubber, are slimming margins intolerably. Component supply problems and a strike at companies delivering finished products to ports have left more than 10,500 vehicles in manufacturers' lots.

Fiat has been forced to lay off half its 12,000 workers for 10 days, halving its daily output of 850 vehicles. Other carmakers have warned they will follow suit if the industry's problems are not rapidly resolved.

Reuter reports from Silva Jardim: The head of the Brazilian environmental agency has welcomed foreign pressure aimed at halting destruction of the rain forests.

"Foreign pressure is essential because it keeps the government to its decision [to protect the forests]," Mr Fernando Mesquita, president of the national environmental agency Ibama, said at this nature reserve.

His remarks at the opening of a teaching centre contrasted with comments by President José Sarney on foreign advice for Brazil, which has one third of the world's rain forests.

Mr Sarney has accused Western industrial countries of infringing Brazil's sovereignty.

The Ice Woman cometh

Christina Lamb in Pishin, Baluchistan, meets an Irishwoman with a cool head for business

CYNICS may say only the Irish could come up with the idea of selling ice to a country enduring its 11th year of war. They could be right.

The World Bank, however, thought it was a good idea. Four years ago, with the help of a loan from the bank, Jennifer Musa, a native of County Londonderry, began the unusual business of exporting ice to Afghanistan.

In the remote town of Pishin, 30 miles from the Afghan border, Mrs Musa sells her blocks of ice to dealers who transport it to both guerrilla bases and Kabul government posts inside the war-torn country.

As part of the trade, Mrs Musa has become an authority on which soldiers are controlling which road in south-western Afghanistan. "Sales fall right off when there is heavy fighting, though one regular mujahideen customer tells me that after a battle they put ice blocks in the field for the exhausted fighters to lie on," she said.

The ice factory currently produces 300 four-tonne blocks each day, of which she sells an average of 160. Many go to nearby refugee camps, where in the 45C summer heat, they are used to cool meat. Business has been so successful that Mrs Musa is approaching the World Bank for another loan for a cold storage plant and a canning factory.

Mrs Musa, now in her 60s, is an unlikely resident of the tribal territory where women are kept hidden away in strict purdah. Her arrival in the region in 1948 with her Baluch husband, whom she met at Oxford University and whose father was Prime Minister to the Khan of Kalat, a then independent state, was the cause of many rumours.

"One day I had gone into the yard wearing a shift and a scarf over my curlers and a local tribal chief rode up. He assumed I was a servant boy and asked if it was true that the master had been presented with an English princess by the Queen of England as a reward for killing a Bombay lion. He was expecting to see some bejewelled creature on velvet cushions."

In 1956, Mrs Musa's husband was killed in a car accident, and she planned to return to Ireland. But her husband's family wanted her son to grow up in Pakistan, so she stayed and became something of an institution.

Zulfikar Ali Bhutto, father of the present Prime Minister, once referred to Mrs Musa as 'that damn dame'

Her 100-year-old house is a meeting place for local tribal sardars and political leaders, who drop by for tea and call her Auntie.

She is frequently called upon to settle disputes over land or cattle among the local Tareen tribe or to mediate in their dealings with the English-speaking authorities.

The literacy rate among women in rural Baluchistan is below 1 per cent, so Mrs Musa set up the Baluch branch of the All Pakistan Women's Association to help overcome the problem. She won the wrath of the mullahs (religious scholars) by setting up a Family Planning Association; it did not survive the Islamisation campaign of the late President Zia, whose Council of Islamic Ideology declared family planning unislamic.

In 1970, she began a political career when, for the first time, Baluchis were allowed to vote in elections and she wanted to "do something for them". She won a seat set aside for women, and joined the leftist National Awami Party (NAP), whose main leaders were Baluch tribal chiefs.

Zulfikar Ali Bhutto, father of the present Prime Minister, referred to her as "that damn dame" and refused her demands to set up a commission on the status of women.

When Bhutto dismissed the NAP government in Baluchistan in 1973 and arrested its leaders, she led the province's first ever procession of women and provided a significant inspiration during the Baluch insurgency of 1973-77, which was crushed by the army and paved the way for a return to military rule.

Confined to underground political activity under martial law, Mrs Musa decided to enter commerce, growing tobacco in her garden, opening 16 shops in the bazaar, and, in 1985, starting the ice factory, a risky move in an area with sweltering temperatures and infrequent electricity.

Yet the ice business has flourished and Mrs Musa says "it is encouraging young people who cannot get jobs to try setting up things for themselves."

She also hopes she has had some influence on a society where daughters are not considered worth educating.

"Things are changing. Today I see daughters of tribal chiefs smuggled out of the purdah quarters under the floor of cars and even secretly learning to drive. Tomorrow maybe they too will be running factories."

Australian gas project under way

By Chris Sherwell in Sydney

THE FIRST export shipment from one of the world's biggest resource developments – the A$10bn (£5.5bn) North West Shelf natural gas project off Australia – began ahead of schedule yesterday, nine years after the project began.

A cargo of 125,000 cubic metres of LNG was bound for Japan aboard the Northwest Sanderling, one of seven LNG carriers being built for the project. Formal inauguration of the trade, to last 20 years, will be made on Sept ember 12.

The six partners behind the project are Shell, Broken Hill Proprietary (BHP), Woodside Petroleum (whose main shareholders are Shell and BHP), BP, Chevron and a joint venture between Mitsui and Mitsubishi of Japan. Woodside is the operator.

Each of the partners has an equal share, and for many it is their biggest single commitment anywhere. The development, Australia's biggest construction job, involves the capping of fields 130km offshore, then the piping, liquifying and bulk storage of gas.

At its peak, LNG carriers will arrive twice a week to transport the gas. Some 5.2m tonnes a year will be supplied to eight major Japanese power and gas utilities and meet the needs of some 60m Japanese households and industries.

The export operation is known as Phase 2 of the project, and is expected to have a significant impact on the country's chronically weak balance of payments. Under Phase 1, the "domestic" operation, consumers in Western Australia have been supplied with about 10-11 cubic metres of gas per day since 1984.

UK NEWS

Hong Kong funding sets up Ulster factory

By Our Belfast Correspondent

NORTHERN Ireland's economy received a boost yesterday with the announcement of its first investment from Hong Kong.

Holian Investmants is setting up a £3m factory manufacturing electrical goods at Dundonald, near Belfast. It will provide 200 jobs.

The new company, Barney (UK), plans to start production in the autumn, building up to full production over a three years. The Ulster factory will accommodate the company's design and manufacturing headquarters for the European Community and North America.

Mr Richard Needham, the province's new Industry Minister, said: "At a very difficult and traumatic time for the people of Hong Kong we're both honoured and delighted that Holian has put its trust in Northern Ireland.

"All of us will do all we can to support the company in its efforts not only selling into Europe but serving the Northern American market."

Northern Ireland secured the investment in the face of strong competition from West Germany, Italy and Portugal.

Products to be manufactured at Dundonald include a transcutaneous electronic nerve stimulator known as Tens. This product is used to treat pains, such as migraines, and provides an alternative to conventional drugs.

Barney (UK) will also make an electronic nutrition scale for household use which will not only weigh food but will provide information on its health care value in terms of calories, cholesterol and fibre content.

Dr Paul Yong, Holian's managing director, said: "The availability of well educated and technically oriented people, together with the province's strong reputation in medicine and medical technology convinced me that Northern Ireland was the location in which to establish a regional headquarters."

Wynne-Parker bar

FIMBRA, the Financial Intermediaries, Managers, and Brokers' Regulatory Association, has barred Wynne-Parker Financial Management of Norwich from all forms of investment business. Wynne-Parker, a member of Fimbra since 1983, received authorisation in April last year.

Government wants reform to speed planning system

By John Hunt, Environment Correspondent

RADICAL proposals to streamline the town and country planning system and to make it self-financing were put forward by the Government in a consultation document published yesterday. The inteotion is to speed up the system and clear the backlog of planning applications.

For the first time developers will have to pay a fee in order to appeal against refusal of a planning permission. There would also be a steep increase in charges for planning applications – fees for this will probably double.

A particularly controversial proposal would give the Environment Secretary the power to prevent an appeal going to public inquiry and to stipulate that it must be dealt with by written representations instead.

This is likely to be bitterly opposed by conservationists. Last night Mr Richard Bate, of the Council for the Protection of Rural England, said that the Government seemed intent on introducing "absurd measures" to speed up the system rather than improving the quality of planning decisions.

In addition, there are proposals to prevent big developers putting pressure on planning authorities by making repetitive planning applications for schemes that have already been rejected on appeal.

Local authorities would also be given powers to permit a wider range of small projects without going through the planning procedures. If a local authority fails to decide a planning application for minor works to a property within eight weeks the proposal would win permission automatically.


Michael Howard: ready to increase resources

The reforms will involve legislation. It is hoped to bring forward a bill in the next session of Parliament in the autumn but pressure of legislation might delay it until the following session.

Mr Michael Howard, Minister for Planning, said last night: "Many planning authorities are failing to deliver an efficient service. The overall effect of the proposals would reduce the burden of development control procedures and increase the resources available to operate the system effectively."

The cost to the DoE of processing appeals in 1988/89 was £16m. The consultation document, Efficient Planning, states: "The Government believes that this expenditure should be financed by those who use the service."

The Planning Inspectorate is the next candidate to be transformed into an agency operating semi-independently of Government. Suggested fees for appeals would start at £100 for developments by householders rising to £4,000 for proposals for 50 dwellings or 3,750 sq m of offices or factories. But these would only apply to appeals dealt with by written represeotation.

Mr Howard said the number of planning decisions was failing to match the rate of applications. Last year applications increased by 18 per cent and local authorities issued 16 per cent more decisions.

But the percentage of planning decisions taken within the statutory eight-week period dropped to 50 per cent in the fourth quarter of 1988, compared with 57 per cent in the same quarter of 1987 and 63 per cent in the same period of 1986.

Ministers put on a united front

By Michael Cassell, Political Correspondent

MINISTERS closed ranks yesterday in a display of unity intended to overcome the damaging fall-out from the reshuffle.

Following Mrs Thatcher's clear message to her most senior ministers on Thursday that she did not expect any further significant changes to her top team before the next general election, two of the leading figures in the reshuffle, Mr Douglas Hurd and Mr Kenneth Baker, moved at once to bolster Tory party morale.

With Tory MPs returning to their constituencies at the end of a long and hectic summer session, there is considerable anxiety about the impact of the week's events on the party's already low standing in the country.

The party leadership is now anxious to focus attention on the new Cabinet line-up and on strategy and policy for the next year and beyond.

The Government expects a concerted offensive from Labour over the coming weeks and Mrs Thatcher has called on all government departments to prepare their own counter-attack. A number of policy initiatives is expected during the summer recess.

Mr Hurd, whose post as Home Secretary was at one stage offered to Sir Geoffrey Howe, the former Foreign Secretary, said that, in spite the "froth and gossip" of the last few days, the Cabinet enjoyed "the singular benefit of substantial unity."

Mr Baker, the new Tory party chairman, called on every constituency party and party member to begin working for success at the next general election. The campaign, he added, was starting now.

Mr Hurd told a meeting in York that it was a unity which did not stem from obedience to any political dogma but was based on common sense.

He said that, as the Government approached its mid-term, it could look forward with a good deal of confidence. Echoing the recent remarks of Mr Nigel Lawson, the Chancellor, he said it appeared as though inflation may have peaked while the economy remained sound.

Singling out the Government's proposals on health and education reforms, he said the Government's decision to ensure both sectors would continue to be funded with massive public resources should not be lost in the arguments over how best to improve the services they provided.

Mr Hurd acknowledged that Labour had now re-emerged as the only serious contender for power. As a result, the Government had "a much clearer target" in its sights.

Mr Baker, in a letter to the chairmen of constituency parties, said the Government had a "superb record." He said that the party had the courage and confidence to win a record fourth consecutive election victory.

Mr Baker also claimed on BBC radio that the reshuffle had improved party morale.

Canadians join bid for cable franchise on Tyneside

By Raymond Snoddy

THE CANADIAN cable company Videotron is joining the North Eastern Electricity Board and Tyne Tees Television to bid for the large Tyneside cable television franchise.

The three groups have formed a company, Northern Cablevision, to bid for the franchise which will offer cable TV to 325,000 homes in the Newcastle upon Tyne, Gateshead, North Tyneside, South Tyneside and Ponteland areas.

Videotron is already involved in cable television in the Southampton area and its interest in Tyneside is a further example of the serious North American money now being put into cable television.

The North American investment received a regulatory boost recently when the Government announced its intention to drop its insistence that cable television franchises in the UK could not be controlled by non-EC companies.

Northern Cablevision said yesterday it planned to offer up to 50 radio and television channels, including pay-as-you view television.

Consumers would also have home banking and home shopping facilities. A range of telephone and telecommunications systems would also be available for local businesses.

ITV regions challenge the big five

Raymond Snoddy examines claims of a stranglehold on the network

FOR MORE than a year TVS, the south of England ITV company, has had a documentary, on the lifers' wing at Parkhurst Prison on the Isle of Wight, left in limbo.

The programme has been approved by a sub-committee of the ITV national network system but it has not been given a transmission slot. The Home Office, which unusually gave the cameras access, is considering offering the idea to the BBC, because ITV has done nothing with it.

The fate of the programme, Charlie Wing, symbolises for Mr James Gatward, chief executive of TVS Entertainment, the dominance of the big five ITV companies – Thames, Central, London Weekend Television, Granada and Yorkshire – over the national network. It also marks the sense of exclusion a company such as TVS feels in spite of being within a whisker of equal third with LWT in share of national advertising revenue.

Last year TVS contributed £42m to the cost of the national network and received £29m for its programmes which gained a national showing. This year TVS will get £19m but will still have to pay £42m to the network.

The company has to pay so much because the £380m a year cost of new national network programmes, excluding the news, is divided on the basis of each company's share of advertising revenue – and TVS serves the prosperous south.

Companies are paid for programmes shown on the network from a tariff which has not changed for three years. It ranges from £420,000 an hour for drama to £120,000 for a half-hour situation comedy and £20,000 an hour for daytime programming.


James Gatward: "tragic" decision to cut jobs

The growing disparity between what TVS pays to and receives from the network – and the fact that the lack of network orders has taken studio occupancy down to 50 per cent – led Mr Gatward last week to what he calls a "a tragic decision." There will be 200 redundancies over 18 months spread over the company's Maidstone and Southampton studios.

Yet not much more than a year ago, while other ITV companies were battening down the hatches in preparation for deregulation, TVS was confident of making more national programmes. It announced plans to expand its production base and took on an extra 100 staff.

Mr Gatward, a former BBC stagehand, blames his strategic retreat on the unfairness of the network system and the intransigence of some of the big ITV companies which, he claims, make sure they get the cream.

Mr Paul Bonner, director of the programme planning secretariat at the ITV Association who holds the ring while the network schedule is put together and millions change hands in the form of network commissions, denies that the system is unfair.

He points to TVS's Murderers Among Us, the story of Nazi hunter Simon Wiesenthal, which made it onto the network.

Traditionally, the big five companies have made the most of the nationally transmitted programmes with a few morsels being thrown to the 10 regional companies. However this has come under increasing pressure over the past few years, with the Government seeking reform of what it regarded as a cartel.

In October 1987 the first reforming steps were taken. TVS and Scottish Television programme controllers joined the magic circle of the network controllers' group. The big five's guaranteed network hours were reduced from 42 to 35 a week, helping to create a "flexipool" of a third of national broadcasting hours that all companies could compete for.

Now the "flexipool" has been increased to 50 per cent, but the rows have become more intense with allegations, hotly denied, that the big five are still simply choosing each others' programmes.

The 50 per cent of the schedule guaranteed to the big five is designed to include running series such as Coronation Street or Minder which are considered essential for the network. There are growing fears that the big companies are trying to consolidate their hold on programme production by putting popular series into the "flexipool," where they will have to be chosen, and using their guaranteed hours to keep a hold on minority fare.

Mr Bill Brown, managing director of Scottish, is not as hostile to the existing network arrangements as Mr Gatward. He believes, however, that it is vital for new arrangements to be in place before ITV franchises go to the highest bidder – subject to a quality threshold – in 1991-92, and fears lack of an agreement could lead to further domination by the London companies.

The Government has made it clear that networking will be left as a voluntary matter for the companies unless further provisions are needed "to regulate the operation of any new network system in the interests of free access and fair competition."

Mr Brown believes it will be possible to reach a sensible networking agreement and, like the TVS chief executive, thinks the way forward is through reduced guarantees for the big five and indicative production targets for the smaller ITV companies related to their ability to produce.

The Independent Broadcasting Authority is looking seriously at such ideas, and the creation of a central unit with the power to commission for the whole network has not been ruled out. Without a firm network agreement, the IBA asks, how can the programme proposals of bidders for new franchises be either judged or costed?

A disgruntled Mr Gatward says simply: "If things continue along present lines, ITV will shoot itself in both feet and the gun will slowly move towards its brain."

UK NEWS

More may face disciplining over Blue Arrow

By Richard Waters

SENIOR CITY figures who were not criticised in the Department of Trade and Industry report into County NatWest may face disciplinary action from The Securities Association and the Bank of England over their role in the Blue Arrow affair, it emerged yesterday.

It also emerged that those most severely criticised may escape further investigation from the regulators. TSA said that it will not investigate those who have resigned over the affair, although the Bank of England may still proceed if it believes that they will look for other jobs in the City in the future.

Speaking on the publication of TSA's annual report, Mr Stanislas Yassukovich, its chairman, said that all 20 of its members named in the report who have not yet resigned from their positions would be investigated to see if they are "fit and proper." The institutions involved will also be reviewed to see if their compliance procedures are adequate.

"We have been assured that enormous changes have taken place, but we will review them to make sure," he said.

Mr Bob Wilkinson, director of enforcement, said that the affair would have been unearthed sooner if the Financial Services Act had been in force at the time. The surveillance techniques now being used by TSA would have enabled it to identify the full holding of Blue Arrow shares, which had been divided between County's corporate finance and market-making arms, he said.

At the time, in October 1987, the Stock Exchange, which was then the responsible regulator, was aware of the near-5 per cent holding by the market-makers in an alpha stock, but had no access to the position of other parts of the group. Also, it did not know that the shares were those of Blue Arrow, he said.

Since the Financial Services Act was not in force at the time, TSA is unable to take disciplinary action against its members who were involved. However, it is able to bear in mind their past conduct when assessing their fitness and properness.

● The Commons' trade and industry select committee announced yesterday that it is to review the way Department of Trade and Industry investigations are carried out. The current arrangements have been subjected to considerable criticism by National Westminster Bank, which claims that its directors were unfairly criticised in last week's County NatWest report.

Clowes settlements move a step closer

A HIGH COURT judge yesterday gave the go-ahead for a further £18m pay-out to more than 7,000 investors in the UK funds of Barlow Clowes Gilt Managers Ltd.

Mr Justice Gibson had been asked to approve the terms of an order which will mean that the various categories of investors will get total pay-outs of between 60p and 103p in the £1.

Mr Michael Jordan, joint liquidator of Barlow Clowes Gilt Managers and chairman of City accountants Cork Gully, said it was hoped that the payments could be made next *month.*

About 1,000 investors whose money was held in Lloyds accounts and who received interim payments of 75p in the £1 *last December, will now* get a further 25p or 28p in the £1.

More than 6,000 investors whose money was held in Midland accounts and who received interim payments of 25p in the £1 earlier this year, will get a further 35p in the £1. Six of the Midland investors who are in a separate category will, however, get the full 75p, making the whole amount of the proceeds of their £80,000 investments.

The pay-outs to the Midland category investors are subject to ratification by the Gibraltar court of two compromises which were approved by the English court yesterday for the transfer of £15.3m from the Barlow Clowes UK fund to Barlow Clowes International, the Gibraltar fund and a transfer the other way of a figure – still to be determined – of between £2.8m and £5.7m.

Mr Jordan said: "If the Gibraltar court agree those final figures – and there is no reason to suppose they won't – then the 35p distribution can be *made very shortly."*

"My concern has been to get this money back to investors as quickly as possible and I think that with the first distri*butions in December and January* and now hopefully to get these further distributions next month is satisfactory so far as the UK investors are concerned.

"It has been very complex and there have been a lot of legal arguments but hopefully at least something has been done for the UK investors."

The hearing for ratification by the Gibraltar court is due to take place next Tuesday.

Britain to lobby for EC unity on energy prices

By Ivor Owen, Parliamentary Correspondent

BRITAIN IS to press her EC partners to make faster progress in establishing a "level playing field" for energy prices.

Mr Peter Morrison, Energy Minister of State, told the Commons yesterday that Britain had gone further towards a policy of non-discriminatory pricing and encouragement of competition than other EC countries.

He said: "We shall be trying to persuade our partners in Europe to move in the same direction so that there is no assistance to particular sectors in those countries by discriminatory fuel pricing."

Mr Morrison acknowledged complaints by the glasshouse sector of Britain's horticultural industry that the pricing structure recently introduced by British Gas had added to its difficulties in competing with produce exported by Dutch growers who benefited from lower energy costs.

USSR will pay £100m to stock its shops

By Peter Montagnon, World Trade Editor

THE Soviet Union is to spend £100m importing British consumer goods to the end of the year in an effort to restock its depleted shops.

The planned orders, which are expected to benefit firms such as Boots, Courtaulds and C & J Clark were announced in London yesterday by Mrs Aleksandra Biryukova, Soviet Deputy Prime Minister, at the end of a four-day visit to the UK on the invitation of the Confederation of British Industry.

The goods will include razorblades, tights, shoes and cassettes, illustrating the urgency with which the Government of Mr Mikhail Gorbachev is now keen to bolster popular support for his economic reforms with better supplies of consumer goods.

Businessmen said there appears to be no direct connection between the latest Soviet buying spree and the recent wave of miners' strikes in the Soviet Union. The Soviet Union announced in April that it was setting aside an extra roubles 5bn (£4.6bn) for consumer goods' purchases in the West.

But the emphasis of Mrs Biryukova's visit was different from that of previous Soviet trade missions which have concentrated on capital goods in sectors such as petrochemicals and food-processing.

Spokesmen for the companies involved in this week's talks said it was premature to speak of firm orders yet being placed. Courtaulds said its Aristoc subsidiary was in negotiation with the Soviet Union for a "snbstantial" order for ladies' tights but the pace of the negotiation would depend on the Soviet side.

A spokesman for Boots said his company had discussed sales of items ranging through cosmetics to baby milk and pharmaceuticals, but he could not confirm that any firm orders had yet been received.

Speaking at the CBI yesterday morning, Mrs Biryukova, who is responsibls for light *industry and consumer affairs,* said her talks in the UK had been friendly and constructive despite the row over spying allegations in May.

The Soviet Union has long been anxious to boost its trade with the UK, with which it runs a trade surplus. British exports last year were worth only £560m against Soviet sales of £730m.

Mrs Biryukoya also visited Coats-Viyella in Glasgow. The company is advising on modernisation of a thread mill.

It's not unusual – just very hot

David Fishlock on how the Met Office is improving its forecasts

THE fine weather the country has been enjoying is "well within the normal variation," Britain's top weatherman says.

The French may have used fire hoses to characterise UK weather in their Bastille Day celebrations, but Dr John Houghton, director-general of the Meteorological Office, reminds us that we also enjoyed good summers in 1983, 1976 and 1975.

"And the north has not been as good as the south and east of England," Dr Houghton adds. Yesterday for example, rain was forecast for north-west England.

A characteristic – not always remembered – of the atmosphere at Britain's latitude is that it has spells of settled weather as well as spells of unsettled weather.

For several weeks much of Britain has experienced – some even say suffered – a stable pattern of weather. Should the public have been warned?

Theory suggests that the normally churning weather conditions may lock on to some natural state that persists. The forecasters now believe that if they could spot the right incipient signs, they might be able to forecast such spells with greater confidence.

Experimentally, the Meteorological Office is providing forecasts up to 30 days ahead. But they are not of the kind the public generally would appreciate. They will not tell you whether your fête can expect fine weather in two weeks' time.

The 30-day forecasts give a general idea what kind of whether can be expected – drier or wetter than average, above or below normal temperatures.

Lydia van der Meer

Sunbathers in the St Paul's Cathedral grounds yesterday

"They are for people who can use probabilistic forecasts," says Dr Houghton. These include the energy supply industries which would like more warning of probable demand. He hopes to start selling 30-day forecasts to a few clients soon.

For the public the Met Office offers a five-day forecast he claims to be as good as its three-day forecasts were just five years ago. This is the result of steady progress both in gathering more data and in having the compnter capacity to crunch all the numbers.

Some weaknesses in its forecasting system were pointed up by the great storm of October 1987 which swept southern England. The independent investigation of the Met Office's failure to warn anyone that trees would be falling found that no blame could be attached to any individual. It also endorsed the organisation's own conclusion that more observations – particularly to the west of Britain – and more powerful computing resources were needed.

No one method of observing weather provides enough data to make forecasts of the highly changeable atmosphere prevailing above in the north-east corner of the Atlantic. The Met Office, an £84m operation last year, uses a variety of observations, melding the automatic with the traditional.

On the surface alone, it has 30 key observation stations manned by professional meteorologists filing every hour.

It has a furthsr 53 sites manned by its own staff; 47 automatic weather stations; and 124 inputs from people like coastguards and lighthouse keepers. It is also developing a semi-automatic weather station which will fill in the gaps when the resident observer is off-duty.

Offshore, more than 520 British merchant ships and oil platforms regularly report. They are just part of a worldwide system of 7,000 ships under 49 flags reporting to the World Meteorological Office.

But not even this deluge of data can cope with the changeability of British weather. As Dr Houghton sees it, the forecaster is struggling to identify points of stability in an inherently chaotic system.

Nor should anyona leap to conclusions that the fine summer is evidence of forecasts that the globe is overheating. The best Met Office record of the past 100 years is of change in sea surface temperature. Its undulations reveal nothing consistent with a greenhouse effect.

Airport delays boost domestic holidays

By David Churchill, Leisure Industries Correspondent

MOST domestic holiday operators are enjoying record demand this summer, helped by the warm weather and disenchantment with overseas holiday flight delays, according to a survey released yesterday by the English Tourist Board.

Some 26 of the top 34 holiday operators in the UK reported better business than last year, with the level of bookings up by between 10 per cent to 20 per cent.

"British holidays are right back in fashion," Mr Malcolm Wood, the board's director of marketing, said yesterday. "There are still bookings available in most resorts, and if the demand stays at the same level we expect the success of English holidays to continue right through the summer peak months," he added.

Country Holidays, which rents out self-catering cottages in the Lake District, Yorkshire Dales, West Country, and East Anglia, says there has been a 60 per cent increase in inquiries for its cottages on July last year.

Mr Philip Green, managing director of Country Holidays, said: "The glorious weather is undoubtedly a factor in the decision to holiday in Britain, but many of our customers are saying they can't face the hazards of airport chaos and crowded resorts."

Welsh tourism has also benefited. The Welsh Tourist Board says it is having a "bumper" year.

Texas Eastern wins court ruling on buyer

By Steven Butler

TEXAS Eastern, the US gas transmission company, yesterday won the right in the Court of Appeal to nominate a buyer *for its* UK subsidiary, Texas Eastern North Sea (Tensi), thus paving the way for a possible settlement of the disputes surrounding its agreement to *sell Tensi, which owns a large* spread of North Sea oil interests, to Enterprise Oil for $961m (£579m).

The court decision gives *Texas Eastern* the clearest path yet to exit from the messy affair, in which the sale has been successfully challenged in the courts by British Gas and Amerada Hess, the US oil company, which claim rights to take part of the deal from Enterprise.

The decision will put pressure on Enterprise, British Gas, and Amerada to seek a negotiated settlemeot over how to divide Tensi between them.

The Court of Appeal ruled last week that the three companies must divide the shares of Tensi according to the value of licence interests they share with Texas Eastern in the *North Sea. This would be* determined hy a lower court and yesterday's decision was a clarification of the earlier ruling.

However, Texas Eastern had been looking at options to pull out of its sales contract with Enterprise at the end of this month, as allowed for in the contract, and sell the assets of Tensi on a piecemeal basis in order to prevent the disputes from dragging on indefinitely. It has now agreed to delay any such action for almost a month and would at that time have the option of nominating one of the three companies to purchase all the shares of Tensi.

Although last week's court decision made the three companies jointly and severally liable for purchasing Tensi from Texas Eastern, there was no way to *determine* which company would actually complete the purchase.

All three companies are thought anxions to do this, *even on a provisional basis, as* this may strengthen their hand in any later determination of which company has final rights to purchase Tensi shares.

Because of the uncertainty about which company Texas Eastern may nominate to complete the purchase, Enterprise, British Gas and Amerada are thought likely to redonhle efforts to reach a negotiated settlement on how to divida the company in order to avoid weakening their claim on the assets at a later date.

Enterprise appears confident that it would have a strong case in House of Lords, where *it may attempt to overturn the* the Court of Appeal ruling. However, it is uncertain that its petition to have the case heard would succeed and the *proceedings could easily* stretch for more than a year.

All three companies appear anxious not to have Texas Eastern terminate the contract. If they do not reach a negotiated settlement and Enterprise fails in its petition to the Lords, the three would have to accept a court division of the shares.

Passenger build-up closes hall at airport

By Lynton McLain

THE BUSIEST weekend of the year for holidaymakers began yesterday with the closure of the passport control hall at Gatwick Airport's main terminal, as the build-up of passen*gers breached safety limits.*

Passengers were kept on board aircraft after the airport took advice from the fire brigade. The airport is permitted to hold only a certain number of passengers at any one time for safety reasons.

The decision to close the hall until ths congestion eased came as families began summer holidays after the end of term for schools in England and Wales last week.

Gatwick airport expected to handle 83,000 passengers yesterday and 180,000 passengers over the weekend.

The airport management erected two marquees to accommodate people faced with long delays, hut they have not been used.

The airport also provided £100,000 of entertainment inclnding clowns, magicians and video films, to keep children amused.

The most serious delays, of up to six hours, to lights from Gatwick yesterday were caused by technical problems.

French air traffic control engineers resumed industrial *action* on Wednesday. This was expected to end at 7am on Monday.

Some flights were being re-ronted through German air *space* in an attempt to avoid the French action. The West Germans imposed restrictions on flights for a time when their air space reached its capacity.

The Association of British Travel Agents yesterday appealed to their travel organisations throughout continental Europe to put pressure on the French Government to help end the air traffic control action.

The association is upset that the French Government has so far failed to respond to its plea for intervention in the strike.

Passengers at Heathrow Airport, London, were delayed for only about 15 to 20 minutes.

Ford to lift car prices by 4.7%

By Kevin Done, Motor Industry Correspondent

FORD, the leader of the UK car market, is to raise its car prices by an average of 4.7 per cent with effect from August 3, a move expected to trigger a round of price rises from other car makers in the next few weeks.

This is Ford's second price increase this year. It raised prices by an average of 3.9 per cent in January after three price increases in 1988.

Ford, which held 27.3 per cent of the UK new car market in the first half of the year, traditionally acts as price leader.

The UK is its most important market in west Europe with total sales last year of 583,790, and it accounts for the three best-selling cars with the Escort, Sierra and Fiesta.

It has established a substantial lead over its two closest competitors, Vauxhall, the UK subsidiary of General Motors of the US, and Rover Group, the subsidiary of British Aerospace.

Vauxhall captured 15.1 per cent of UK new car sales in the first half of the year, which enabled it to take over second place from Rover, whose share fell to 13.75 per cent.

Ford accepted that the timing of the price riss was designed in part to boost its sales in Angust, the most important car selling month in the UK.

The change of the registration number prefix in August – this year from F to G – encourages a wave of car purchases, in particular from private buyers seeking the status of the new registration letter.

Ford expects total UK new car sales to reach a record 500,000 next month, compared with 477,305 in Angust last year, and it confirmed yesterday that the higher prices would not apply to cars already in showrooms or in the distribution pipeline.

As a result of the increases the list price of the cheapest Ford model, the Fiesta 1.0 Popular, will rise to £5,445 from £5,199 inclnding car tax and VAT, while the price of its top-of-the-range Scorpio 2.9 Efi jumps to £25,850 from £24,680.

New car sales rose 8.3 per cent in the first six months of 1989 to a record 1.1m and demand has still to show any significant impact from the big increase in interest rates.

Patten upsets boroughs over planning in London

By John Hunt, Environment Correspondent

MR CHRIS PATTEN, the new Environment Secretary, upset the London horoughs last night by issuing planning guidance for the capital which ignores most of the strategic proposals they had put forward.

Mr Patten said that the Government document, Strategic Planning Guidance for London, marked an "important further step away from the cumbersome, centralised planning of the 1960s and 1970s."

The London Planning Advisory Committee, which represents 33 London boroughs and the City of London, believes that he should have taken a second look at the document which was drawn up by his predecessor, Mr Nicholas Ridley.

The guidance makes it clear that free market solutions should be relied on and that the main planning should be carried ont hy the borough's own unitary development plans. Councillor Sally Hamwee, the Democrat who is chairman of planning committee, said last night: "Mr Patten seems to have had some success in preserving the Brazilian rain forest. We had hoped he would extend that to the preservation and improvement of London's environment."

The guidance rejects the committee's proposals for channelling major business development to particular growth points. It called for co-ordinated infrastructure and labour market planning and the location of strategic centres for office development and industrial and business growth points. But the Government document says that its "practical approach" will be more effective.

Further land should be made available in central London for business development, it says. The boroughs could assist by identifying well serviced, accessible sites for job creating development. They should "adopt a positive, flexible and realistic approach to business development throughout London."

The regeneration of Docklands, the planned rail link between central London and Docklands and the programme of road improvements would continue to make the area more attractive for development.

The development associated with the growth of the financial sector could help regenerate and bring new employment to older urban areas.

Notts colliery to close with loss of 800 jobs

WARSOP colliery in north Nottinghamshire is to close next month with the loss of 800 jobs, it was announced yesterday. It is said to be losing £200,000 a week.

British Coal says the pit suffered losses totalling £12.6m last year. Meetings are planned with unions to discuss joh transfer or voluntary redundancy.

An official at British Coal's Nottinghamshire Area headquarters said: "The area director, Tony Deakin, sees no prospect of results improving significantly or sufficiently to make the pit viable and the prospect is one of heavy financial losses."

The closure, planned for August 25, comes jnst two *weeks after* Mr Cecil Parkinson, then Energy Secretary, visited nearby Sorsby colliery in Nottinghamshire to praise local miners.

The closure of Warsop follows that of Blidworth colliery near Mansfield with the loss of 748 jobs in January this year. It was also announced in January that 450 jobs were to be axed at Gedling colliery, near Nottingham, leaving a workforce of 610.

Reshuffling power over the cities

Ian Hamilton Fazey on how the DoE has regained its urban role

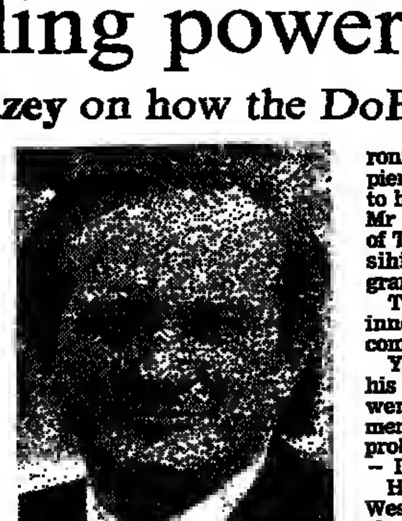
THE Department of the Environment is now back in full charge of Britain's urban problem, two years after civil servants bridled at the transfer of a large part of the job to the Department of Trade and Industry and were put firmly in their place by ministers for doing so.

Tha transfer had followed the Conservatives' election victory and Mrs Thatcher's declaration that "next time" they wanted to win in the cities, where Lahour had kept in front.

Co-ordination was put in the hands of Mr Kenneth Clarke at Lord Young's DTI, emphasising the joh creation role of industry, even though the DoE *did most of the spending.*

The DoE's inner cities man was Mr David Trippier, an effective advocate hut very much a junior because he was then only a parliamentary under-secretary, the third rank of ministerial hierarchy.

Last year, Mr Clarke was made Health Secretary and Mr Tony Newton succeeded him at the DTI. One of his first big urban problems was the closure of Sunderland's shipyards, yet the aid package of enterprise zone, environmental improvements and grants has the DoE's urban development corporation and the region's local anthorities playing the major roles.



David Hunt: £3.5bn to spend on urban recovery

Such "who's in charge here?" confusion has now been ended by this week's reshuffle.

Mr David Hunt's week started with Mrs Thatcher asking him on *Monday* to become Minister for Local Government in the Department of the Environment. On Tuesday, Mr Trippier's old job had been added to his portfolio. By Wednesday, Mr Hunt had the Department of Trade and Industry's responsihilities for urban programmes, too.

The return of power over the inner cities to the DoE was complete.

Yesterday, Mr Hunt made his first ministerial visit. He went to where the Government's strategy on the urban problem has been tested most – Liverpool, his home city.

He sits locally for Wirral West, a place of upper middle *class housing developments,* a working green belt, sea-going yacht clubs and the Royal Liverpool golf links at Hoylake.

However, Mr Hunt lived in Liverpool 8, which includes Toxteth, from 1953 until 1969, so he understands the problems of economic structure.

These problems include a narrow industrial base, too many unskilled workers, and not enough small businesses, and have left male unemployment on Merseyside still near 20 per cent.

For most of the Thatcher decade, Government policy has relied on levering the main cost of urban development out of the private sector, nsing public money as bait. Warfare raged with many Labour-controlled town halls, especially those of Liverpool and inner London boroughs.

Privete sector investment is still top of the list, but Mr Hunt said yesterday: "Bringing together the local government and the inner city portfolios does send a message. I don't *believe* we can achieve success without working together."

He says the places doing best in urban regeneration are those where the local council and the private sector have formed strong partnerships.

Mr Hunt wants more of such policies and has £3.5bn to spend this year in the cities to help create the right climate for change.

He will also act personally as a catalyst. "I shall be spending most of my time ont of London," he said.

Yesterday, he visited Mr Keva Coombes, leader of Liverpool City Council. Next week he will be in Bristol and Bir*mingham,* and the week after in Sheffield – and nowhere near the DTI.

Posgate 'wanted to oust Grob'

By Patrick Cockburn

MR Ian Posgate, the leading Lloyd's underwriter accused of fraud, told the jury at Southwark Crown Court yesterday that he had long wanted to displace Mr Kenneth Grob, the former chairman of Alexander Howden insurance brokers, from his position in the company.

Mr Grob who, together with Mr Posgate, bas now been on trial for 13 weeks, denies *charges of* purchasing the Swiss-based Banque du Rhone et de la Tamise for himself using funds from Howden.

Speakiog of his relations with Mr Grob *and other* Howden directors in the late 1970s and early 1980s, Mr Posgate disclosed that once on the Howden board in 1978, he had wanted to get rid of Mr Grob. He also said that he was furious that the rest of the Howden board had excluded him from discussions about the takeover by Alexander and Alexander, the American insurance brokers, in 1981.

It was the takeover of Howden hy Alexander and Alexander which first led to allegations *that* Mr Posgate and four other former Howden directors, including Mr Groh, had misappropriated £35m from Howden insurance companies and Lloyd's insurance syndicates managed by the group.

Mr Posgate was then asked hy Mr Alun Jones, QC, Mr Grob's counsel, about the relations between himself and the four other directors at the time they jointly purchased the Banque du Rhone from Howden in 1979.

Mr Jones then said: "I suggest to you that from September 1979 yon were a willing partner of the syndicate formed to purchase the bank from Howden."

Replying to this charge Mr Posgate said: "I do not accept that I was a willing partner of the syndicate. I do accept that I was the willing beneficiary *of* a trust that had shares in the Banque du Rhone."

The trial continues.

UK NEWS – EMPLOYMENT

Toolan concedes outcome seen as defeat for BR

By Kevin Brown, Transport Correspondent

MR TREVOR Toolan, BR's personnel manager, was looking forward yesterday to a few days abroad to recover from six weeks as the man a million commuters most loved to hate.

Chain-smoking through a long interview, Mr Toolan conceded that the outcome of the dispute was widely regarded as a defeat for BR. But he rejected suggestions that the corporation had misjudged both public opinion and the determination of union members.

With the advantage of hindsight, Mr Toolan still thinks the corporation's strategy was correct at every step, and that the dispute degenerated into strike action only because the National Union of Railwaymen broke a written agreement to use the railway's internal arbitration machinery.

Clearly relishing the opportunity to go onto the attack after weeks of defending himself, Mr Toolan said he was "confident that everything we did was right;" adding: "It was regrettable that the NUR did not follow the agreed procedures."

He insisted that the dispute was not a defeat for BR, which had settled the strike without conceding a pay increase above the 8.8 per cent recommended by the arbitrator. The NUR, on the other hand, had led its members into a "pointless" stoppage which had achieved nothing.

Mr Toolan also claimed that BR had made significant progress towards achieving its main objective of a flexible bargaining system suited to its increasingly commercial structure.

"We have got a lot out of this in terms of progress on bargaining machinery. We have had to extend the deadline for negotiations to be completed from October to January, but the evidence we have got is that there is recognition within the unions that changes have to be made.

The only regrets he was prepared to admit to were limited to the treatment of the management's case by the media.

Like other senior BR managers, Mr Toolan thinks the corporation was the first victim of a sea change in the public attitude to trade unions which will claim further corporate victims in the months to come.

In his analysis, this movement of opinion had not been identified before the dispute, so BR cannot be accused of an error of judgment in failing to take it into account. But he thinks the impact was exacerbated by the inability of the board to get its case across in largely hostile press.

"It has been grossly unfair," he says. "The circumstances of negotiations at Acas (the government conciliation service) were far from ideal, but much of what I have read in the press has surprised me because it has been at complete odds with what occurred.

"I don't feel inclined to accept the criticisms that have been levelled at us, and I do not accept that there is going to be any massive management shake-up. That is just utter rubbish.

"I think it comes down to a number of people who just want to take a poke at us and we are a high profile organisation which has to take what is thrown at us."

Mr Toolan has clearly been upset by the personal nature of much of the coverage, particularly in the tabloid newspapers, one of which accused him of accepting a £10,000 pay rise during the strike.

"Personally, I do feel I have had rather a rough ride. Some of the things that have been written have been very personal, such as the article in Today, which was not only uncalled for, it was inaccurate," he says.

He also disclaims the pivotal role in deciding BR's strategy attributed to him in the media, and lists the occasions on which the chairman and other executive directors gave specific approval to his suggestions.

"I am not imposing anything on the industry; that would be beyond the ability of any one man, and to imagine that our negotiating strategy was invented by one man is not realistic," he says.

Mr Toolan says there is no question of him leaving BR, and insists he intends to see the negotiation of modernised bargaining machinery through to the end.

"We have done a lot in the three years I have been here, and we have got an awful lot still to do. My mission in life is helping BR to do the things it needs to do to become an organisation which is worth investing in for the future," he says.

Argument over bargaining likely to return to Acas

By Charles Leadbeater and Fiona Thompson

BRITISH RAIL and the three rail unions are expected to return to Acas, the conciliation service, next week to open a lengthy final act to one of the most significant disputes of recent years.

The Acas discussions will focus on BR's proposed changes to collective bargaining machinery after the National Union of Railwaymen yesterday accepted BR's 8.8 per cent pay offer.

That followed its decision on Thursday night to suspend its industrial action. The Aslef train drivers union and the white-collar TSSA union accepted the deal last week. It will cost BR £160m.

In addition to the 8.8 per cent for all 120,000 rail workers, 64,000 staff in London and the South East will get extra allowances, making their increase worth between 10 per cent and 15 per cent.

The NUR is widely seen to have won the dispute, which could have widespread repercussions, especially for industrial relations in the public sector.

It has put the issue of public sector strikes back on the political agenda after lying dormant for several years. The issue will be considered by the Cabinet committee reviewing industrial relations legislation.

The settlement, by breaking through the unofficial 7 per cent government pay policy, could have considerable significance for other public sector employers, by establishing 8.8 per cent as the target increase for unions.

The BBC quickly followed BR in raising its offer to 8.8 per cent. That will put additional pressure on local authority employers bargaining with 1.5m white and blue collar workers in coming weeks.

Public sector pay bargaining is likely to remain tense for some time. Talks covering 130,000 Post Office letters staff which will start soon. They will be the first test of whether the rail dispute may have a lasting effect.

BR's retreat from its plan for a wholesale break-up of centralised national bargaining may mark a high point in the trend to decentralise public sector bargaining.

Unions will be closely studying the NUR's tactics. The rolling 24-hour strikes were designed to impose maximum costs on the corporation at minimum cost to workers. With the relative success of a similar tactic at the BBC more unions may well plump for this approach.

The dispute may also mark a change in the political balance of power over disputes. The Government failed to galvanise overwhelming public opposition to the strikes, even though they mainly affected voters in its south-eastern heartlands.

The Government will be determined to sort out the rail industry and in the process the unions. One bequest of the dispute will be a determination to sharpen up BR management in the run-up to privatisation.

Pictured are Jimmy Knapp, NUR chief; Trevor Toolan, BR managing director personnel; Neil Milligan, Aslef chief; Sir Robert Reid, BR chairman

Unions claim moral victory over changes

Fiona Thompson and Kevin Brown study the gains and losses of BR and the unions

The long, hot rail dispute may be over, but the arguments will rage for some time yet over exactly who won and who lost.

About one group there is no debate. The travelling public were losers all the way, as they battled to work without trains once a week for six successive weeks.

The rail unions can claim a moral victory, having watched British Rail raise its 7 per cent imposed pay offer to 8.8 per cent and having forced the corporation to make crucial changes to its bargaining machinery.

But while the 17,500 Aslef train drivers and 30,000 TSSA white collar workers saw this through without taking strike action, many of the 70,000 members of the National Union of Railwaymen will feel a touch of short-term sourness. Having lost a days' pay for each of their six 24-hour strikes, they have now lost more than they gained from the increased offer.

But the NUR had a boost to its morale with the solidarity that held out longer than union officials might privately have expected. And for Mr Jimmy Knapp, the NUR general secretary, this dispute has been a welcome change from his humiliating defeats at the hands of his own members in the early 1980s.

BR has undoubtedly lost the public relations war, its cack-handedness on occasions setting back hopes of a settlement and its inconsistency leading to confusion and a hardening of attitudes.

Each week seemed to bring a new BR spokesman as his predecessors fell by the wayside after an ill-timed comment or injudicious ploy.

The NUR, no doubt to its secret surprise, found a generally sympathetic public and, at least until this past week

Each week seemed to bring a new BR spokesman as his predecessors fell by the wayside

watched most of the brickbats heading towards BR.

Long-term, the picture is less clear. Certainly BR has not got what it said last November it wanted. That is, to abandon industry-wide national collective bargaining on pay and conditions and replace it with five bargaining structures based on different skill groups.

What BR has now agreed is that a "national conference" would conduct general pay reviews for all staff, discuss collective bargaining principles and such conditions as industry-wide allowances, holidays, pensions, discipline, and welfare policy. Quite a climbdown.

But BR has clawed back a certain independence on pay by proposing that while this conference should decide a national percentage wage increase, this might be split into two. One segment would be a flat rate for all, the balance would go to the five skill groups.

The settlement will inhibit the BR board's objective of turning the railway into a commercial business driven by customer demand.

Sir Robert Reid, the BR chairman, has always accepted that this goal could only be achieved by breaking the power of producer interests within the railway.

This was part of the reasoning behind the creation of BR's five business sectors – InterCity, Network SouthEast, Freight, Parcels and Provincial – which took effect largely between 1984 and 1986.

The sectors broke the power of the engineers who controlled BR's Regions by placing authority for strategy, marketing and procurement in the hands of sector directors responsible for their own profit and loss accounts.

However, sectorisation did nothing to reduce the central bargaining power of the other main producer group, the workforce.

The proposed changes in bargaining procedures were designed to address this problem by allowing BR, for example, to pay market rates for staff doing the same jobs in London and Lancashire.

The insistence of senior managers that some progress has been made cannot disguise the brutal truth that a key part of BR's business strategy has been forced off the rails.

The business strategy will continue, but one of the most serious results of the dispute has been the extent to which

The brutal truth is that a key part of the corporation's strategy has been forced off the rails

BR management has lost credibility with the Government.

This is important because Sir Robert had worked out a deal with ministers under which the *quid pro quo* for commercialisation was government approval for a major investment programme.

The corporation spent £590m last year on new trains and infrastructure, and is planning to spend £4bn over the next five years. All but very minor projects require ministerial approval, and that may become increasingly hard to get.

Senior railway managers feel let down by the Government, which may believe withdrew its full support for the corporation once it became clear that passengers were not blaming the unions for the dispute.

However, the initiative lies with the Government, and a major shake-up of senior management is now certain when Sir Robert retires in March.

Both BR's executive vice chairmen, Mr David Kirby and Mr Derek Fowler, have indicated that they intend to leave at the same time, and there may be other resignations and retirements.

Part of the reason is that ministers have made clear the Government wants a "rough, tough outsider" to whip the railways into shape.

Tyzack Partners, the London firm which has been appointed to find a suitable candidate, refused to discuss the contract yesterday. However, other headhunters said ministers wanted someone who had run a major and complex industrial business.

The leading candidate remains Mr David Simon, the managing director of British Petroleum.

However, BR may turn out to have lost the biggest battle of all – the fight to keep the railways in one piece if the Conservatives win the next election. Ministers have not yet decided how to privatise the corporation, but the option of breaking it up is likely to have gained ground.

Surprises punctuate stormy seven weeks

By Fiona Thompson

The seven week long rail dispute was punctuated by harsh words, surprise decisions, late night meetings and angry walkouts.

On June 12, the National Union of Railwaymen said its 70,000 members had voted by 29,675 to 20,704 for industrial action over British Rail's 7 per cent imposed pay offer and planned abolition of national collective bargaining.

Acas, the conciliation service, at BR's behest, asked the NUR, the Aslef train drivers' union and white collar TSSA union for talks.

On June 16, Mr Jimmy Knapp, NUR general secretary, was 40 minutes into talks at Acas when BR said it was seeking a High Court injunction to stop the strike. The unions stormed out.

In the High Court on June 19, Mr Justice Vinelott said BR's evidence did not "come anywhere near" justifying the granting of an injunction. Three Appeal Court judges upheld this decision, and BR had to pay £235,000 in costs.

The first national rail strike for seven years went ahead on June 21.

Mr Trevor Toolan, BR's managing director of personnel, called on the NUR and Aslef to refer the pay issue to the Railway Staff National Tribunal, the industry's appeals body, as TSSA had done.

Aslef joined the dispute on July 6, voting 12,637 to 1,702 for a ban on overtime and rest-day working over pay.

On July 7 the tribunal recommended a no-strings 8.8 per cent pay award for TSSA members from April 10, noting the "exceptional productivity performance" of rail workers. BR invited the unions back to Acas.

On July 11 the Acas talks broke up in disarray after BR offered all staff 8.8 per cent, but attached three strings: no backdating, extra money for staff in the south-east would be withdrawn, and the offer was conditional on cashless pay.

After the unions had walked out, Mr David Rayner, BR's managing director, railways, intimated that the strings had been a negotiating gambit.

On July 14 BR dropped all conditions and abandoned the core of its proposals on collective bargaining. TSSA accepted the offer.

On July 17, Aslef accepted. The NUR executive voted by 12 votes to 8 against acceptance and to continue strikes, against the advice of Mr Knapp.

BR claimed 12,500 NUR members worked normally on July 26, the sixth strike. The NUR executive argued, however, that fewer than 6,000 worked.

On July 27 the NUR executive voted to accept the offer and suspend its strikes.

OTHER EMPLOYMENT NEWS

Agreement reached on ITN pay package

By Raymond Snoddy

Management and unions at Independent Television News have reached agreement on a pay package which includes the buying out of the principle of overtime and a move to performance related pay.

Representatives of the four unions at the news organisation – the ACTT, the technicians' union; the NUJ, the journalists' union; BETA, the broadcasting union, and the EETPU, the electricians' union – will recommend acceptance of the deal to members.

If accepted, overtime and shift payments will be replaced by three different contracts which specify the number of hours to be worked in a year. One contract will be based on a working week of about 37 hours. Staff can also choose an intermediate contract involving an extra 20 per cent in working hours or one specifying a third extra hours.

During negotiations, ITN increased its pay offer for the basic working week from 7.5 per cent to 8.5 per cent. Operational staff will get an extra £400 to compensate for the loss of additional shift payments. Some staff will get a £100 rise to compensate for the ending of a system of incremental payments based on length of service.

The principle of regular appraisal and performance related pay has been accepted by union negotiators.

Mr Mike Morris, ITN's director of industrial relations, said the deal would raise efficiency by totally changing the way staff were paid and hours calculated.

● BBC union leaders yesterday agreed to hallot their 20,000 members over the corporation's 8.8 per cent pay offer.

Nalgo walkouts 'hit one in five' local authorities

By Michael Smith, Labour Staff

More than one in five local authorities was affected by indefinite strikes yesterday as white collar workers stepped up their campaign for a higher pay offer.

Nalgo, the local government union, said that 4,354 of its members were on strike yesterday in 99 councils. It expected its target of 25,000 to be reached by the middle of next week.

The latest figures were released before the first formal talks between the union and employers for nearly a month to take place on Monday. The dispute is over a 7 per cent pay offer and employer proposals to allow councils more flexibility in interpreting national agreements.

Nalgo said the current strikes meant that motorists are getting a free trip through the Mersey Tunnel because eight toll collectors have joined the walkout.

Next weekend's European Athletics Cup meeting in Gateshead is threatened by a strike of leisure department staff.

Docks could be in for a transformation

Charles Leadbeater reports on the likely outcome of the dispute

Mr Ron Todd's words quoted at the 1987 Labour Party conference by Mr Neil Kinnock may now be ringing in his ears.

The leader of the TGWU transport union had said: "What do you say to a docker who earns £400 a week, owns his house, a new car, microwave as well as a small place near Marbella? You do not say brother let me take you out of your misery."

For in spite of the dockers' decision to carry on their national strike there is a good deal of misery over its disarray – in the centenary year of the great dock strike which provided the foundation for the Transport and General Workers Union.

The dockers - like steel workers, printers and miners before them - have marched toto a set-piece struggle with employers intent on a long-term restructuring of the industry.

Judging hy what has happened to the character of work in steel plants, print plants and coal mines since big disputes in those industries, the docks could be in for a transformation.

In the other industries there have been large redundancies, heavy investments in new technology, more flexible working practices, widespread changes to industrial relations – including new payment systems – and big productivity gains.

With so much at stake why has the dock strike crumbled and what are its prospects?

There have been two distinct stages to the strike.

In the first the TGWU leadership steered the union away from legal and financial disaster by persuading the dockers to drop plans to strike against the Government's decision to abolish the statutory National Dock Labour Scheme. Instead they were to strike for a national agreement to replace the abolished scheme.

This required an enormous change in the dockers' approach. They are used to reacting with militant speed to grievances. They also had a long-standing policy to call a national strike if the scheme was threatened.

The lengthy legal preparations for the strike from early April to late June strained the dockers' patience. The union leadership only won that patience by promising to sanction and support the eventual strike.

As one senior TGWU official put it: "We avoided disaster in the first stage, to allow ourselves to walk into one in the second."

The delay in calling the strike took much of the steam out of the dispute. Employers took advantage of the three-month lull to try to open local talks, test dockers' union loyalty and plan their strategy.

Many of the 2,000 dockers who have taken voluntary redundancy, many of them over 50 years old, did not want to remain in the industry without the statutory scheme.

Although the proposed national agreement was meant to provide a common focus, industrial relations vary considerably between large ports, like Liverpool and London, and the smaller ports, often with handfuls of dockers, which have been at the forefront of the return to work. In most ports the national scheme had been superceded by local agreemente at Grimshy, Immingham, Hull and Southampton these specify working hours.

The dockers' culture of militancy has been met by employers with strategic strength. Buoyed by property earnings, with three months to plan their approach to the strike, the port employers have been determined to press for redundancies and changes in working practices, which they believe will provide the basis for the industry well into the next century.

About 4,600 of the 9,221 registered dockers who started the strike remain in dispute. The first test of whether this will stem the return to work will come this morning, when Southampton dockers vote on whether to call it a day. Dockers at Hull have already voted to go back to work.

The union hopes for a national framework agreement look dim. More attainable might be the goal of reaching model local egreements at several large ports. But with dockers drifting back to work, often without even local agreements, the industry could become a *pot pouri* of different deals.

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Limping off for summer

THIS HAS NOT been a good season for the British Government. There must be better ways of reshuffling a Cabinet than trying to sack the Foreign Secretary, then ending up with him as deputy Prime Minister and chairman of some of the key Cabinet committees. The tensions within the Government, relatively concealed until recently, are now out in the open.

Many of those tensions concern Europe, and Britain's place in the Community. The Prime Minister may have become irritated by Sir Geoffrey Howe for other reasons – their temperaments are quite *different – but the principal* reason for his dismissal was that he wanted faster progress towards European integration than she does. There is no alternative way of explaining the changes at the Foreign Office. Whatever may be said for the abilities of Mr John *Major, the new Foreign Secretary*, it has never been claimed that it was his enthusiasm for Europe that took him to the top. Mr Francis Maude, one of the new junior ministers at the Foreign Office, would be a natural member of the Bruges Group – the body founded *after the Prime Minister's* speech nearly a year ago saying that the pace of European integration should be slowed.

All that is serious in itself. It ought to have crossed even the most Bruges-like mind by now that Britain has tried to hold up European integration before, has never been wholly successful, and has been left trying to catch op with the original members of the Community.

Nationalist first

The Prime Minister likes to compare her approach to that of President de Gaulle, who was a nationalist first and a European only when necessary. Yet it is worth recalling that, after De Gaulle departed, France became very mucb more a European country, taking Community membership as a basis for many of its policies.

There are signs that opinion in Britain is beginning to shift, too. Most of the Labour Party now takes British membership for granted. In the European elections in June some normally Tory voters were angered by the *Prime Minister's* grudging approach to the Community. And Sir Geoffrey Howe is not the only senior Conservative to believe that opposition to European integration is wrong: Mr Michael Heseltine, the outsider running for the Tory sncceasion, has based a large part of his campaign on a European platform.

It is not as if the Prime Minister's isolation from the European movement is all that splendid. The relatively new concerns of the British electorate – the snvironment, for instance – can only be fully dealt with in a European and international context. Exposure to the Community has shown that British standards on health, safety and hygiene are not as high as they ought to be. *It is* unlikely that they will become much higher if Britain cuts itself off from the European move to raise them further.

Awakening suspicion

At home, other clouds heve gathered. There has been an awakening suspicion this year that not all of the old British problems have been resolved. Inflation has returned to a level way above thet of most of the country's major competitors. The trade figures are greeted with relief when there is a deficit of no more than £1.5bn in a single month: stabilisation of a kind. The level of pay settlements commands attention in a way once thought to belong to the bad old days of pre-1979. There has also been industrial unrest and the unusual spectacle of the public not automatically condemning the trade unions.

Throw in a few incidentals, like the unpopularity of the Water Bill and the implementation of the poll tax, and the prospects for Mrs Margaret Thatcher's Government look none too bright. An even starker thought is that while Britain may have had a good run for mucb of tbe 1980s, other countries have not stood still. The continental Europeans remain capable of making social and economic advances that are beyond the British.

There will now be a summer break and a pause for thought. Mrs Thatcher's Governments have recovered from mid-term depression twice before. This time, however, the recovery will be harder. Abetted by the decline of the centre parties, Labour is beginning to look more electable.

The primary aim in the next year must be the reconquest of inflation, while spending whatever money is available on fostering the training and skills necessary to compete internationally. This will require a *willingness to spend* more on edncation and other priority areas. It would help if Mrs Thatcher would cease to treat continental Europe as a threat, and behave as a member of the club to which Britain now belongs rather than a potential saboteur. For neither at home nor abroad is it any longer clear that she is winning the intellectual arguments, and the performance has been patchy.

Richard Waters on the City pressures which lead to affairs like Blue Arrow

Success at too high a price

There is still "plenty of opportunity for people to do things they shouldn't in smoke-filled rooms at two o'clock in the morning."

This admission comes from the man in charge of regulation inside one of the City's largest investment banks. His counterpart at another, Mr James Norton of Morgan Grenfell, agrees: "Everything depends on people."

That seems cold comfort after the trail of wrecked careers, City anguish and public concern which has followed the Department of Trade and Industry inspectors' report into the Blue Arrow affair.

But it is all that the City has to offer – that, and a collection of procedural changes which might (or might not) catch wrongdoers intent on the same ends in the future.

Corporate financiers are renowned for two qualities above all others: aggressiveness and ambition. Many are trained *professionals* – either lawyers or accountants – most are young and all are intelligent and highly paid.

All four corporate financiers at the centre of the Blue Arrow storm are chartered accountants – Nicholas Wells and David Reed of County NatWest, and Christopher Stainforth and *Martin Gibbs of Phillips & Drew*. They all joined the flow which has taken some of the best brains out of accountancy firms and into merchant banks in the recent past.

By temperament, people like this are generally more maverick than the run-of-the-mill practising accountant, and less prepared to work in hierarchical organisations. Possessing considerable technical skill, and with a copy of the City's takeover code in one hand and a legal text book in the other, they are generally well-armed for the corporate finance battles in which they find themselves. They also tend to have been steeped during their formative years in the strong ethical environment that pervades most accountancy and law firms.

This background must be set against the huge pressures under which most corporate financiers work. Most are used to 60-hour weeks, and to long nights and weekends during takeover battles, spent formulating strategies or preparing documents. The pressure to succeed in such circumstances is intense: *the difference between success and failure* in one deal can have important financial implications for their business. Take Hambros Bank's involvement in the outcome of the current bid by its client, Hoylake, for BAT. Success will bring it $30m, failure a meagre $5m.

Two things intensify the pressure. First, the personal rewards of success are large. Corporate financiers can make as much in bonuses as they receive in basic salary.

Second, the penalties of failure are severe. Reputations, both personal and corporate, are made or broken on the success of large deals like the Blue Arrow rights issue. This was one of the main considerations – according to the DTI inspectors – driving Mr Wells and Mr Reed when they tried to dissuade NatWest directors from revealing the true extent of the failure of Blue Arrow's rights issue.

In all of this, it is important to realise that those implicated in the latest scandal are no different from many others in the City, and held in higher esteem that some. One accountant who worked with Mr Reed and Mr Wells on a number of deals says: "I enjoyed doing business with them. They were aggressive, and did not go in for double-dealing. They did what needed to be done on behalf of my clients."

Is it possible to control more closely the way these people operate? It appears not. As Mr Geoffrey Williams, deputy chairman of Schroder Wagg, says: "You can apply a strict hierarchical reporting system, but you would find yourself out of business." Much corporate finance business is done at high speed, and an increasing amount of it late at night or at weekends, he says.

"The idea that someone comes back at each stage and reports to a committee about what he is doing just isn't realistic," says Mr Williams.

A further difficulty is that corporate financiers guard their territory jealously. They have been brought up in an environment of intense secrecy.

In this environment, only the people running each division are really in a position to control what goes on. "Divisional heads must realise they are responsible," says the same compliance director. "There's no way I would walk the gangplank ahead of those guys. I might walk behind, but I certainly wouldn't walk ahead."

This is exactly what has happened over the Blue Arrow affair. Whether that is enough – and whether the people are right who claim that the publicity given to the affair is a sign that the regulatory system works – is another matter.

Meanwhile, a number of detailed City practices will change as a result of the Blue Arrow affair. The way lawyers, registrars, regulators and compliance officers go about their business will change in several ways.

Take the way legal advice is sought (and given). Practice in the past, as the Blue Arrow affair makes clear, has been sloppy. It has allowed decision-makers to believe that they can fly by the seat of their pants, sometimes straying on the wrong side of acceptable practice. Tacitly admitting that it is prone to similar sloppiness, another bank says: "I think that we will have to make sure that people do get proper written legal advice when it is necessary."

Lawyers, jealous of their own reputations, will also doubtless take further steps to make sure that the advice they are giving in such situations is unambiguous and committed to writing at all times.

Registrars will also have to do their jobs better. County NatWest and Phillips & Drew were able to pull off *their deception of the market* in part because Lloyds Bank, acting as registrar in the Blue Arrow rights issue, was prepared to accept applications for almost 10 per cent of the shares well after the issue had closed.

The registrars were not criticised for this. However, it seems unlikely that registrars will be so willing to accept such situations in the future.

Ultimately, though, it is only the ability of the managers of diversified financial groups that will ensure that corporate finance business is conducted in an acceptable way.

In the words of a former senior executive of the bank, talking this week: "The basic problem – and the reason it is so terrible – is that no one communicated with each other. It was a very political environment. In that sort of situation, when people get a problem or a hang up about something, they are frightened to tell anyone about it."

Rapid growth and diversification into new areas of business added to the problems. The weaknesses were evident at other points, for instance the large losses the bank sustained on traded options after the 1987 crash.

According to the former executive: "There's no real difference between this and Blue Arrow. It was just incoherence of management – a generic problem. When management takes its eye off the ball, it all mounts up, and you end up with a mess. It's the intangible nature and the subjectivity of it all that no (DTI) report can ever capture."

The signs were there for NatWest's own directors to see. They may well feel that it was County's executives who should carry the primary blame for what went wrong, but they could see the weaknesses. According to one source, the board had had concerns about the way its investment banking subsidiary was being run for at least nine months before the Blue Arrow affair. It didn't act – and has now paid the penalty. The fact that Britain's largest bank has paid such a high price provides the only lasting assurance that practice will change in the long run.

Geoffrey Owen and Barry Riley talk to Robin Leigh-Pemberton

"WE WERE not acting under formal powers, but we were *taking the view that there* should be an acceptance of responsibility at group level. This is equivalent to ministerial responsibility."

This was the explanation yesterday of the Bank of England's role in the NatWest resignations by Mr Robin Leigh-Pemberton, the Bank's Governor. At the same time he expressed satisfaction with the Bank's statutory position under the Banking Act. "The Bank of England has had a clear idea of what it should be doing and how it should be doing it."

The Bank of England has a general non-statutory responsibility for proper conduct in the financial services industry and it has specific supervisory powers over banks.

Under the first heading, the Bank made plain its view that an appropriate response was necessary from Natwest at group level. But the four resignations which then took place are not the end of the matter. The Bank of England is likely to take the view that certain other individuals, whether or not specifically criticised in the Department of Trade inspectors' report, are not "fit and proper" persons to hold responsible banking positions.

There are rigid procedures laid down in the Act under which the individuals concerned and their employers have the opportunity to argue their case; there is also a right of appeal. The NatWest affair could provide the first major test of the Bank's powers under the Act.

Punishing the miscreants in the NatWest affair, however, will not end public disquiet. Was the Blue Arrow case the tip of the iceberg? Do the new conglomerates, bringing together clearing banks and securities houses, pose impossible problems of management and supervision?

According to Mr Leigh-Pemberton, while the DTI Inspectors' report suggested that there were serious flaws in NatWest'e control system, he did not believe that the conglomerate approach was wrong in principle. The question was whether the control system, and those appointed to operate it, were adequate.

Officials at the Bank consider that the County NatWest irregularities represented an isolated (though not unique) case, and were not the general pattern. However, they accept that conditions in the investment banking industry remain intensely competitive and that there will be pressure on individuals to cut corners. They would like to see more "rough, tough" characters on group boards, and at intermediate levels, whose main role would be would be to ask awkward questions.

They also recognise that the "matrix" style of organisation, in which an executive reports to several different bosses, poses particular, but not insoluble, problems.

The same matrix problems apply to the supervisory system, which at present is based on regulation by function. Thus the constituent parts of a diversified financial institution report to several different regulatory bodies.

This system has potential weaknesses. As Mr Brian Quinn, head of banking supervision, pointed out recently, it is not always clear where the responsibility of each of the supervisors begins and ends.

The emerging view at the Bank is that there should be a move to institutional supervision, in which the Bank of England, for example, would have clear overriding responsibility for banking groups. This multi-supervisor problem was not, however, an issue in the NatWest case, which pre-dated the empowering of bodies such as the Securities and Investments Board and the Securities Association.

Now the Bank will seek to implement in future banking regulation what it has learned from the misfortunes of NatWest. "We will want to be satisfied that both the people and the structure are correct," said Mr Leigh-Pemberton.

MAN IN THE NEWS

Lord King

The going rate, and nothing but the going rate

By Paul Betts

Lord King does not like talking about the sordid subject of money. "It's so tatty, and I don't like being involved in anything tatty. It's unattractive; its second class," he says, sitting on the edge of his first-class seat with a glass of Krug champagne in the new Boeing jumbo jet he has just picked up in Seattle.

But the subject of money and of his remuneration increases at both British Airways and FKI Babcock have clouded what was otherwise a perfect visit to the US for the 71-year-old BA chairman.

Lord King went to Seattle earlier this week leading a large contingent of MPs, officials and journalists to collect BA's latest addition to its fleet – the first two of the 19 Boeing 747-400 jets the company ordered three years ago to consolidate and enhance its long-heul airline husiness.

Whils looking at the two huge aircraft on Boeing's private airfield, he says he felt like a schoolboy. Since taking over at the top of BA and engineering the airline's spectacnlar recovery, Lord King acknowledges that be bae become hooked hy the hosiness. "This business is a romance," he says.

He also enjoys the exposure. His peculiar mixture of humble engineer turned lord and self-made millionaire has a compulsive appeal in the US and especially in Seattle, where BA has long been one of Boeing's best and most faithful costomers. And although he is not an especially brilliant public speaker, he has a way of commanding attention and is skilful in repartee.

Mr Dean Thornton, the president of Boeing's commercial aircraft division, admits his admiration for the way Lord King fielded embarrassing questions in Seattle. When faced with a difficult question, he says, Lord King's trick was to give a direct answer to a completely different question. Asked about his recent pay rises, Lord King looked hard at Mr Thornton and said: "Judging from the standard of some *of the people in front of me, I* am a poor relation." In Seattle, it is an old commonplace that any Boeing vice-president is *automatically regarded as a* dollar millionaire.

But for all his bonhomie and worldliness, Lord King is angry about the political storm over his pay in the UK. He feels strongly that he has been paid the going rate for the job at BA and could earn more by moving elsewhere. Although he will not comment on the latest rumours that he has been offered $10m (£6m) to go to ailing Pan Am, he hints that *he has been approached* several times in the past.

He does not think it is the actual amount of money he is earning that is at the heart of the matter. He is, after all, only the 28th highest-paid executive in the UK and claims to beve been paid relatively little in his first six to seven years at the airline. The problem, be feels, is the percentage figure of a 116 per cent renumeration rise at BA. *The other problem, he* suspects, is that there appears to be a broad public perception in Britain thet the national airline is still a public rather than private affair and that, as a result, he is still regarded as a servant of state industry.

As for the £150,000 Babcock bonus, Lord King sxplained thet the boiler and electrical company he has chaired since 1972 agreed to give him this payment 14 months ago, hnt he refused to take it until Babcock profits went over the £105m mark. They just made £108m, he points out.

Although Lord King flew into London on *Thursday* to mounting pobtical controversy over his pay, he claims his relations with Mrs Thatcher *are perfectly* sound and that shs has not raised the issue of his remuneration with him.

In any event, he feels he has no excuses to make and that he has done a good job at BA. "When be came here the airline was on the brink of bankruptcy. Today it is one of the most profitable *in the* world and expanding," one of his associates explains.

Lord King says his business approach is quite straightforward: "To try to do something properly." At BA, one of his priorities was to get the right team at the top of the company's management and the appointment of an experienced marketing man, Sir Colin Marshall, as chief exechtive has been widely admired.

"He *delegates very strongly*. In a nutshell his attitude is if you get a good man, you pay him well and let him do the joh. If he is no good, you get rid of him," explained another colleague. Lord King pnts it this way. "You must have the best staff yon can have, just as yoo must hsve the hest machine tools in a manufacturing process."

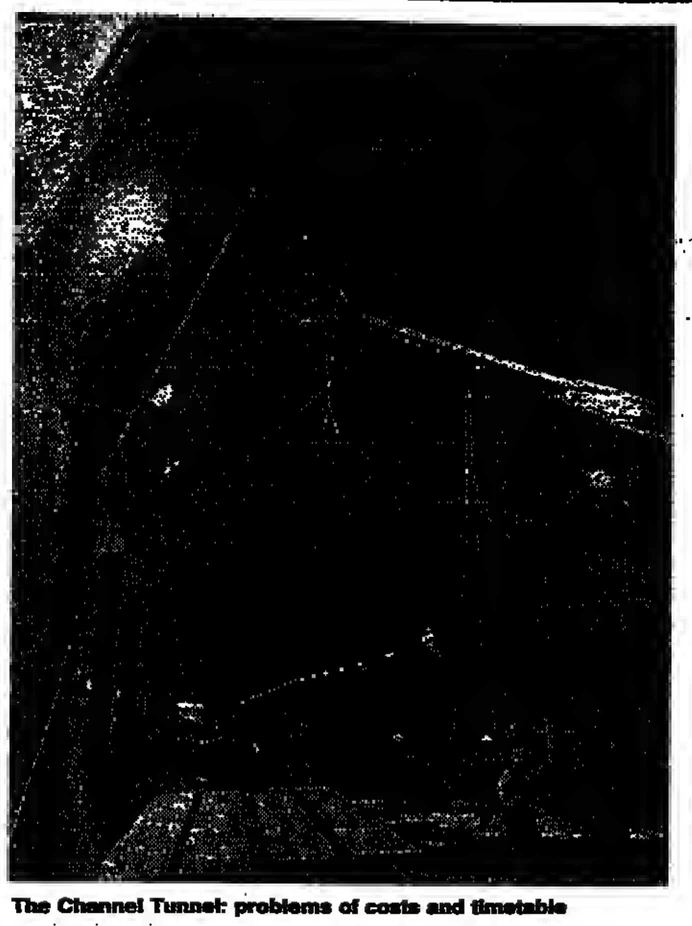
Indeed, during the recovery and restructuring process at BA, he was ruthless in firing a large number of executives. "Don't let that easy-going English squire's manner fool you. When it comes to business he is no choirboy," says one man at Boeing, which faces hefty compensation claime from British Airways for the late delivery of the new jumbos.

Lord King has ambitious plans for the airline. "We want to expand our European hub and spoke operations and we hope to do this with Sabena, the Belgian airline." He is seeking createt sccess to the US market and is looking at possible cross-shareholding *links* with partners *there*. He wants to expand in the Far East and says he is disappointed BA failed to acquire Air New Zealand. He is also keen to develop regional airport services in tbe UK, hut not overly enthusiastic about diversification. "I believe in *core businesses," he* says.

Some of his closest colleagues say they would be most surprised to see him lured away to the US by big dollars. He loves being chairman of this airline, he loves hunting, and he is, after all, 71.

But Lord King says he does *not have much time for hunting* these days. "I'm still chairman of the Belvoir Hunt and I've been Master of ths Hunt for 24 seasons. But I've little time for anything but work. But I love it."

He is likely to have to put in extra bours in the coming weeks to feod off the growing challeoge from the Government and public opinion at large over what are regarded by many people, in ths UK at *least, as unacceptably* bigh executive pay rises. And he is unlikely to be able to continue batting off his critics with his mastery of the witty one-liner.



The Channel Tunnel: problems of costs and timetable

Andrew Taylor on problems besetting the Channel Tunnel builders

The financial bedrock

In the days when Pharaohs built pyramids, contractors were often interred with their clients. Since then many developers, faced with soaring costs and failures to complete work on time, have wished they could bury their builders.

Now the construction industry is again under fire. Eurotunnel, the Anglo-French Channel Tunnel group, last week announced it needed to raise another £500m-to-£1bn in bank loans, because of mounting construction costs.

The group has already fallen out with British and French contractors over tunnelling delays which have put back the completion of the project by a month. This may seem inconsequential over a five-year programme but each month's delay costs Eurotunnel about £80m in interest charges.

The Channel Tunnel is by no means the first large construction project to become prey to mounting costs and delays. Construction in Britain during the 1970s of the Humber Bridge, the world's largest single-span suspension bridge, the Thames Barrier, which protects London from flooding, and the Isle of Grain power station were all seriously delayed and completed hundreds of millions of pounds (billions of pounds at today's prices) over budget.

The tunnel is not in that league yet, but there must be serious concern at the mounting costs in a scheme not due to be completed until June 1993.

The biggest threat to large schemes is inflation, particularly when they take several years to complete. Building costs have risen sharply since Eurotunnel published its investment prospectus in 1987. This forecast that construction costs would rise by about 4.5 per cent in 1988. Instead building tender prices in south-east England, where the British end of the tunnel is being built, rose last year by about 21 per cent, according to the building cost information unit of the Royal Institution of Chartered Surveyors.

Rising labour costs were the biggest element in last year's price increases, says the unit. The high level of construction activity in the south-east is pushing up costs, which are expected to rise further this year. The most graphic evidence of this is in London's former docklands. The Isle of Dogs, former home of London's India and Millwall docks, is aptly described as Europe's biggest construction site. It includes the massive Canary Wharf office project by Olympia & York.

Developments there, in the City of London and in other town centres has greatly increased demand for building materials and construction skills. The light railway through docklands is still being extended. Tradesmen on construction sites in the City have been earning between £700 to £1,000 a week.

Cost increases have also affected other projects. The Government last summer imposed a temporary moratorium on some road repair contracts. Plans to more than double spending on road building to £12bn during the next decade could also suffer if construction prices continue to rise at the present rate.

Large building projects are seldom fully designed before building gets underway. This makes them difficult to cost accurately, particularly if key elements change during construction, at the client's request or because circumstances have changed.

It would have been impossible, for example, to have waited to start digging the Channel Tunnel until the shuttle trains and transport systems had been fully developed. But that could have put completion back five years.

Contracts to design and build the shuttle trains were awarded this week for £600m instead of the £226m plus fees forecast in Eurotunnel's investment prospectus in 1987. The group said the increased price was due to higher-than-expected inflation and the extra cost of improving safety.

The contract awarded to five British and five French construction companies to design and build the Channel Tunnel provides a range of bonuses and penalties to encourage the contractors to finish on time and within budget. The terms were tightened earlier this year — including new target dates and provision for an extra £100m bonus for the 10 companies — following disagreements over who was responsible for last year's delays.

Poorer ground conditions than expected and teething problems with machinery were among the main causes for the delays. It has also taken time to develop management teams and establish good working relationships. Even now relationships between the contractors and Eurotunnel sometimes appear strained.

The ability of British contractors to complete contracts on time and within budget has improved since the high inflation years of the 1970s. A recent study by Reading University's construction department showed that buildings on the best British construction sites, such as Rosehaugh Stanhope's large office complex at Broadgate in the City of London, are now being completed faster than equivalent buildings in the US.

Sir Clifford Chetwood, chairman and chief executive of Wimpey, one of Britain's biggest construction companies, says tough developers like Godfrey Bradman at Rosehaugh and Stuart Lipton at Stanhope demand a better service than that provided by the industry to public sector authorities during the 1970s. This has fed through into the industry as a whole.

Last year private developers provided more than 70 per cent of new building work in the UK, excluding housing. Ten years ago the biggest proportion of work would have come from the public sector.

Sir Colin Corness, chairman of Redland a large building materials group and previously a director Taylor Woodrow construction company, says: "Changes in design during construction is one of the biggest causes of delays and cost overruns in large private sector developments.

"Changes can be introduced for a variety of reasons. Ground conditions may be different than expected. Tenants may demand features other than those proposed by the developer. The financial climate may change, forcing the developer to switch tack during construction."

Eurotunnel's task and that of its contractors is to ensure that problems like these do not overwhelm the project. But first they must convince their bankers.

Alan Pike explains why former war criminals who made their home in Britain may at last be brought to trial

A final call for retribution

In March of last year a Government advertisement headed "War Criminals — Evidence Wanted" appeared in most of Britain's national newspapers.

Its neutral, Whitehall language was in chilling contrast to the subject matter. "It is alleged that some war criminals responsible for genocide, murder or manslaughter in Germany or German occupied territories during the Second World War are in the UK. The Home Secretary has set up an independent inquiry . . ."

Responses to the advertisement helped to start a process which was to send two retired government legal officials and a team of ex-Metropolitan Police officers around the world interviewing elderly witnesses to grotesque events which took place before more than half the present population of Europe was born.

This week, the investigations led to Sir Thomas Hetherington, former Director of Public Prosecutions, and Mr William Chalmers, former Crown Agent, recommending that the law should be changed to permit the prosecution of war criminals in the British courts. Explaining the decision in more expressive tones than the advertisement, they said that their investigations had disclosed evidence of monstrous atrocities and to take no action would "taint the United Kingdom with the slur of being a haven for war criminals."

Parliament will debate the recommendation when it reassembles after the summer recess, and the Government will then decide whether to introduce a Bill to allow war crimes trials in Britain. The likelihood is that it will do so.

Although attention will now focus on whether such prosecutions should take place, the story of the lengths to which Sir Thomas and Mr Chalmers have already gone in gathering their evidence is remarkable in itself.

In October 1986, Rabbi Marvin Hier of the Simon Wiesenthal Centre in Los Angeles, which traces alleged war criminals, wrote to the UK Government naming 17 such people said to be living in Britain, and later another 34 names were supplied by the Soviet Embassy to a Scottish Television programme. Mr Douglas Hurd, Home Secretary, said when he announced the inquiry by Sir Thomas and Mr Chalmers that the Home Office believed a total of 17 people from the two lists might be alive in the UK.

The newspaper advertisement produced around 300 responses from the public, of which 70 were considered in depth. Further names were obtained from Government extradition records and in June last year the Soviet Embassy supplied another 96 names, some of which had appeared on its original list. The inquiry eventually examined 301 cases.

Almost all the people named came from Estonia, Latvia and Lithuania — now the Baltic Republics of the Soviet Union — Byelorussia and the Ukraine. Groups from these areas fought for the Germans in the Second World War, and substantial numbers of people from the region settled in Britain when it ended.

The investigators commissioned an historical study which they say helps to explain why "service in the German forces did not appear repugnant to those peoples at that time as it now does to people in Britain." Other academic studies were commissioned on the punishment of war criminals, the post-war entry of East Europeans into the UK and international law.

Before embarking on their own investigations, Sir Thomas and Mr Chalmers consulted many overseas Governments and organisations with experience in tracking war criminals.

Mr Simon Wiesenthal, the legendary Nazi war criminal-hunter, was visited at his document centre in Vienna.

Three British prosecutors at the Nuremberg trials after the war — Lord Shawcross, then Attorney-General, Lord Elwyn-Jones, later Lord Chancellor and Prof Gerald Draper — were interviewed, together with two US Nuremberg prosecutors.

When detailed consideration of specific cases began the retired Metropolitan Police officers were brought in to assist, and the investigations were remarkable in their thoroughness.

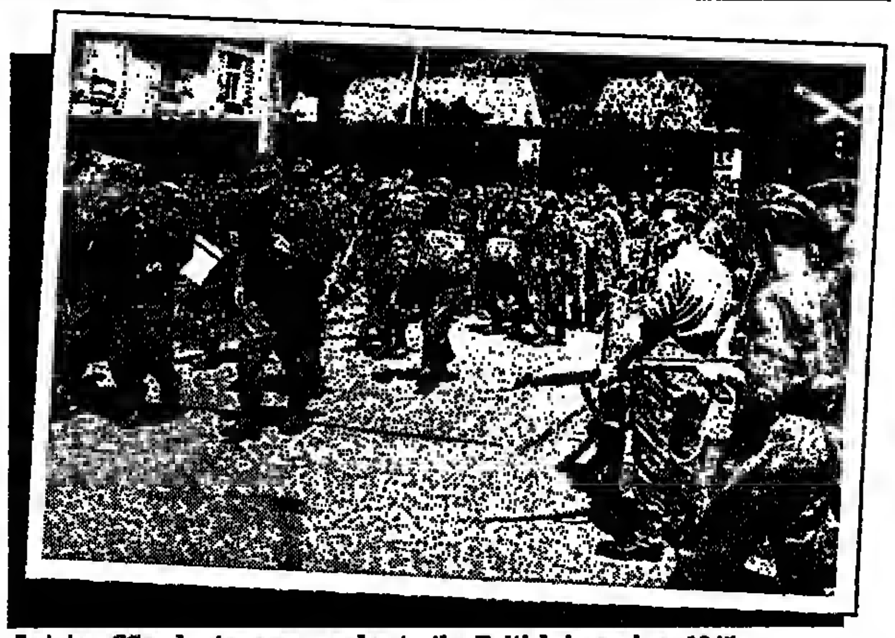
In one case more than 40 witnesses were interviewed, with the British investigators visiting the Ukraine, Canada, the US and Poland. They gathered evidence which offered a realistic prospect of a conviction for murder. The suspect then died.

If Britain decides to allow war crimes trials, it will be following what has become an international trend. In the US, the Office of Special Investigations in the Department of Justice has been active for the past 10 years in recommending proven war criminals for deportation.

Only about 30 people have left the US as a result of the OSI's activities during those 10 years. In Canada, one prosecution and one extradition case are pending. No charges have yet been laid in Australia.

From seven allegations investigated in depth, Sir Thomas and Mr Chalmers believe they have identified three people living in Britain against whom there would be a realistic prospect of conviction for murder, although one may be medically unfit to stand trial. They have recommended further investigations of 75 other allegations but, in view of the advanced ages of suspects and witnesses, the judgement of death is certain to prove swifter than that of the courts in some cases.

However, this is one of the strongest explanations for the recent growth in demands for undetected war criminals to be brought to justice. Ageing survivors, aware that they are the last and diminishing witnesses to the appalling events of the 1940s, have become anxious to testify while there is still time. As the British inquiry report comments, they do not only see this as necessary to bring retribution to the guilty, but to remind the young of what happened.



Latvian SS volunteers surrender to the British in spring, 1945

LETTERS

Guinness settlement

From Mr T.D. Barry.

Sir, Receiving a communication from the chairman of Guinness about the settlement arrangements Guinness has come to with the Takeover Panel in connection with the acquisition of Distillers, I am amazed that certain shareholders of Distillers are receiving preferential treatment compared with the generality of the accepting shareholders.

Quite clearly, the terms accepted by the Distillers shareholders when the company was taken over by Guinness were equally deflated for all shareholders, whether they received consideration in cash, or partly in Guinness shares and partly in cash.

It seems iniquitous that Guinness and the Takeover Panel have made arrangements to compensate some former Distillers shareholders as a result of not receiving the full consideration to which they became entitled under the Takeover rules; but not to compensate all former Distillers shareholders on an equitable basis.

Those who did not accept cash in total would otherwise have received either additional Guinness shares — or a greater amount as their partial cash consideration.

They should receive equality of treatment with those shareholders who accepted a cash alternative.

T.D. Barry,
Cophall,
Fairwarp,
Uckfield, Sussex

'You teach by persuasion'

From Mr C.F. White.

Sir, I have just heard that one of the best teachers I have ever known is leaving long before his time.

Last week I attended the "wake" of several secondary school heads who are leaving early.

Last week our local primary school head left to go into business.

Your education correspondent (July 22) is complacent if he sees the flight from teaching as a matter of pay. I left my own headship because I was not willing to work for a right-wing dictatorship. I will not work for those who make laws for schools to which they do not send their own children, nor for politicians who seek to destroy the local government which has served the nation well.

I worked for 27 years for Derbyshire Education Committee, under both Conservative and Labour administrations, 22 of these years as head of a comprehensive school, in a harmonious partnership of officers, teachers, and HM Inspectors. My teachers and I worked a national curriculum which was the product of a consensus of teachers, advisers and parents, and which gave general satisfaction.

No clear view ever came from industry and commerce to express dissatisfaction, though in my opinion the chief weakness of the schools was their concentration on A-levels after 16. The Education Committee made a few blunders, but it was open to persuasion.

Under the Baker *diktat*, I should have had to reduce the teaching of mathematics and English, and increase the teaching of a foreign language by teaching it to some children who were incapable of learning it or unwilling to accept it. You teach by persuasion, not force.

It did not concern the former Education Secretary, Mr Kenneth Baker, that language teachers are not available. Furthermore, we have to emphasise Christianity in RE (Religious Education). Is it not strange when a heathen Parliament tells its teachers to teach Christianity to a heathen nation? There is no consensus on the curriculum proposed by Mr Baker.

Mr Baker's "reforms" are a denial of the professionalism of the teaching service. They are not a response to a clearly expressed national need, but a part of the UK government's crazy war on local democracy. Mr Baker goes off to his Conservative Party Central Office job as a failed minister.

I do not believe that teachers should leave the profession, nor sit down meekly under the rule of a distant dictatorship of right-wing extremists. Teachers should remember that it is no longer a legal defence to argue that they did wrong because they were following orders. They should continue to do their professional duty by their children.

C.F. White,
26 Gisborne Close,
Mickleover, Derby

Tax on pensions

From Mr Roger Lucas.

Sir, Mr Garvin (July 8) is quite right that money going into pension funds, apart from the lump sum, is taxed when paid out. That is reasonable. His analysis should have continued: money from income invested outside pension schemes is taxed before being invested, the income stream is taxed, the capital gain taxed and the resulting income is treated identically to pension income.

The obvious conclusion is that either pension contributions are privileged or that other investments, apart from PEPs (Personal Equity Plans), are taxed unreasonably.

Roger Lucas,
58 Grove Park Gardens,
Chiswick, W4

Solicitors can handle it

From Mr D.J. Millikin.

Sir, "Think big and save," by Ian Hamilton Fazey (July 22), is a gross slur on many solicitors throughout the UK who have first-class commercial training and experience, but prefer to be sole practitioners or partners in small firms.

The examples of insurance claim and contractual dispute requiring specialist advice are particularly inapposite. Any generalist deals with such matters routinely.

Rather than being seduced by public relations hype promoting the services of these merged firms, your small businessman would be better advised to take the impartial recommendation of his local enterprise agency when choosing a solicitor.

David Millikin,
Millikin & Co,
18 High Street, Old Town,
Swindon, Wiltshire

Retirement planned earlier

From Mr Derek Fowler.

Sir, My personal position as a vice-chairman of the British Railways Board could be misunderstood as a result of your article which appeared under the heading: "Big BR shake-up expected over handling of dispute" (July 27).

My third five-year contract as a board member finishes next April. Some 12 months ago, after discussion between the BR chairman and the Department of Transport, my early retirement was planned to avoid my leaving the Board at the same time as the chairman. Headhunters were appointed last October to find my successor — so far without success.

You will see therefore that my early retirement was planned about a year ago and is unconnected with recent events.

Derek Fowler,
British Railways Board,
24 Eversholt Street, NW1

Mujahideen resistance in Iran

From Mr Farzin Hashemi.

Sir, Scheherazade Daneshkhu's article (July 20) makes ridiculous accusations against the mujahideen.

The mujahideen believe that the Khomeini regime should be overthrown in Iran, not in London. She claims that mujahideen supporters in London are diminishing. The fact is that thousands of mujahideen supporters left to join the National Liberation Army (NLA), the main arena of the resistance.

In publicising the myth of the Khomeini regime's stability, she tries to show the admission of the regime's fear of its overthrow as irrelevant. But the regime's officials are themselves better aware of both their fragile position and the strength of the mujahideen. The article adds that the "mujahideen lost, by its own estimate, some 5,000 men." This is entirely untrue. If she refers to those killed in NLA operations, even the Khomeini regime has not claimed such a figure. If she refers to mujahideen supporters executed to date by the Khomeini regime, the real figure is 90,000, which itself demonstrates the scale of the mujahideen popular support.

She invents a new label for the mujahideen: the "Stalinist fundamentalists." The mujahideen is a moslem, nationalist and democratic organisation which enjoys the support of the Iranian people.

Farzin Hashemi,
People's Mojahedin of Iran,
PO Box 951, NW11

Paying by Mars bar?

From Mr Michael Green.

Sir, I have just been engaged in the annual nightmare of planning currency needs for my motoring vacation in Europe.

This will cover a journey involving passage through six countries, most of them once on the outward, once on the inward journey.

The task of planning how much currency I will need in each country turns me annually into a state of cringing anxiety. No matter how careful the planning, I can be certain that I will — at least once — end up late at night in an unfamiliar location without the funds necessary to transact the myriad of small purchasee with which every family motorist is familiar.

How do we cope? This is surely a situation where the wit and ingenuity of those of us who have to cope with the problem can deal with it in a more effective manner than the bureaucrats and politicians who like to tell us what is and is not possible. We simply need a European medium of exchange in which we have confidence, and an organisation willing to accept the responsibility of exchanging this item for an amount of our home currency.

I have tried cigarettes, with some success. Cans of Coca Cola or Mars bars are also generally acceptable. (They are, however, too bulky for the average pocket or even the average luggage-laden motor car.)

Here we have the perfect opportunity for the oil companies, which cover Europe with an extensive network of outlets, to form a consortium company which would issue a unit of exchange, acceptable at all petrol stations across Europe. Knowing that this unit would be redeemable by the oil companies, it would not be long before shopkeepers, hoteliers and restaurateurs started to accept it. In no time at all we would have a *de facto* European currency.

No doubt economists and bureaucrats will dismiss the idea, but is it really impractical? In the post-1992 world of free funds flowe across national boundaries, there is no reason at all why it cannot be done.

Michael Green,
45 Belsize Road, NW6

UK COMPANY NEWS

Avis Europe shares leap on talks with ex-parent

By John Thornhill

AVIS EUROPE, the car leasing and rental group which three years ago was floated off from its US parent, Avis Inc, may be bought back by its original owner.

The company yesterday announced that it was in friendly discussions with a private consortium headed by Avis Inc which might lead to an offer being made. On the news, shares in Avis Europe leapt 128½p to 578p, valuing the company at £863.3m.

The consortium also includes Lease International, a Luxemburg-based investment holding company which has two shareholders - D'Ieteren, a Belgian finance group, and the Belgian-based Generale de Banque.

There may be other members of the consortium, although their identity has not been disclosed. Between them, Avis Inc and Lease International already own 33.6 per cent of Avis Europe.

Mr Alun Cathcart, Avis Europe's chairman and chief executive, stressed the friendly nature of the talks. "There is no hostility in these discussions," he said.

Both Lease International and Avis Inc are represented on the Avis Europe board and Mr Cathcart is a non-executive director of Avis Inc. Mr Catchcart confirmed the existence of a shareholding agreement that means that Lease International is not able to vote against the Avis Europe board, other than in exceptional circumstances.

Avis Inc owns 35.09m Avis Europe shares, which represents 23.6 per cent of the total, and Lease International owns 37.14m (25 per cent) - although 22m of these represent part of Avis Inc's holding, pending the exchange of subordinated debentures.

After staging a leveraged buy-out, Avis Inc floated off Avis Europe in 1986, although it retained a 34.3 per cent stake in the company. At the time of flotation, Avis Europe was valued at £278m.

Mr Gavin Launder, a motor industry analyst at Kleinwort Benson, said he thought there was a good chance of a bid materialising although he suggested that £6 to £6.5 a share would be a reasonable price.

See Lex

TSB Trust joins Italian life insurance venture

By Patrick Cockburn

TSB TRUST Company of the UK is joining Bank Cariplo, the Italian savings bank, and Caisse National de Prevoyance, the French life insurance organisation, to form a new life insurance company in Italy.

It is to be set up by within 12 months and will be 60 per cent owned by Cariplo. TSB Trust and Caisse National will each hold 20 per cent.

European insurance companies looking for markets with high prospects for growth see greatest potential in life insurance in Italy where it has traditionally been underdeveloped.

Other major European insurance companies have also seen the potential of the Italian life market. At least seven ventures have bean announced this year, the latest being the purchase this week of Lloyd Italico, an Italian general insurer, by Royal Insurance, the British composite insurer, for £99m.

TSB Trust said yesterday that the shape and size of the new company had not been finally decided. It might try to acquire an existing Italian life company which has the advantage of enabling the group to avoid the lengthy process of obtaining Government authorisation for the establishment of a new company.

If no appropriate life company could be purchased then it would be necessary to set up a new company. Its size had not been determined but a spokesman said he expected its capital "would be something under £100m."

Cariplo, the largest savings bank in Italy, has 440 branches and offices. Under the agreement with its UK and French partners these will be used by the new life company to sell life insurance and pensions to Cariplo customers. Other Italian savings hanks will be encouraged to become shareholders in order to strengthen its distribution network.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aaronson Bros ....int	1.8	Oct 19	1.8	-	5.75
Ayrshire Metal ....int	2.5	-	1.75*	-	5.25*
Banks (Sidney) ....fin	4.875	-	4.875	7	7
Forminster ....fin	6.25	-	5.6	9	8.1
Greggs ....int	4	Oct 13	3.125	-	10.125
Holders Tech § ....int	2	Sept 22	2	-	6
Lloyds Abbey ....int	6‡	Oct 13	3.6	-	28.5☆
Lloyds Bank ....int	6.4‡	Oct 5	5.5	-	16.8
Merrydown Wine §...fin	5.5†	-	4.44*	6.5	5.33*
Misys § ....fin	3†	Oct	2	4.8	3.2
Nth'brian Food §.......fin	0.75	-	1.25	1.5	2
Optic and Medic ......fin	3.46†	–	3.1	5.11	4.6
Shield Grp ....fin	nil	–	–	1	–
SMAC Group ....int	1	-	-	-	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆Included special 15p. ‡Carries scrip option.

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

TRADITIONAL OPTIONS

● First Dealings Jul 24
● Last Dealings Aug 4
● Last Declarations Oct 26
● For settlement Nov 65

For rate indications see end of London Share Service

Calls in Norfolk Cap, Butte, Zurich, Tuskar, Far East Res, Int Media, Ferranti, Meckathera, Atlantic Trst, AT Trst, Rolls-Royce, Next, Medirace, Dalgety, ADT, Polly Peck, Oliver Res.

DTI looks at £13bn BAT bid

By Ivor Owen, Parliamentary Correspondent

MR JOHN Redwood, Minister for CorporateAffairs, confirmed in the Commons yesterday that Sir Gordon Borrie, Director General of Fair Trading, was considering Hoylake's £13bn takeover bid for BAT industries.

A decision on whether the bid should be referred to the Monopolies and Mergers Commission would be made by Mr Nicholas Ridley, the Trade and Industry Secretary, in the light of the advice given by the Director General.

Mr Redwood noted the concern expressed by Mr John Garrett, a Labour industry spokesman, about the highly leveraged nature of the bid by Hoylake, which fronts a consortium headed by Sir James Goldsmith.

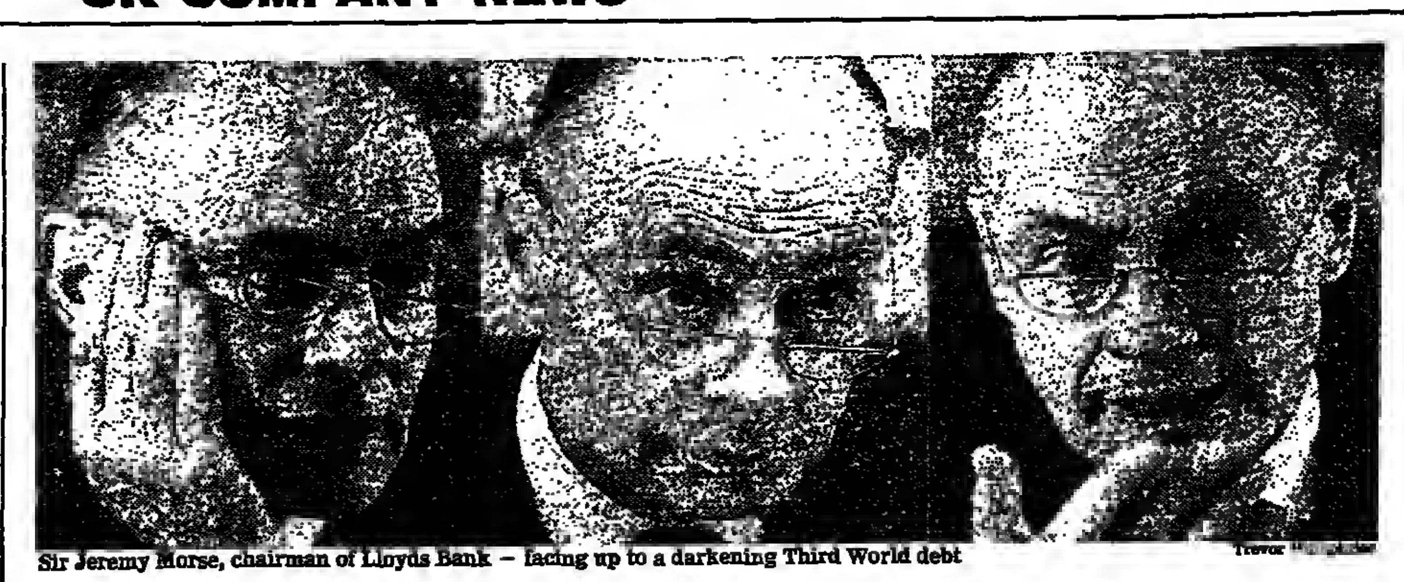
The Minister said it was "not at all clear" that a bid financed by such methods was likely to bring a market response which was against the public interest.

He stressed: "The main, though not exclusive, consideration in determining whether mergers should be referred to the Commission should be their potential effect on competition in the UK."

Any decision on a referral is some way off, however. BAT has indicated that it will not make its submission to the OFT until the Hoylake offer document has been published, and this is not expected until early next month.

Meanwhile, Mr Gerald Howarth (C Cannock and Burntwood), who described himself as a friend of Sir James Goldsmith, referred to reports that BAT, the tobacco, retail, insurance and paper group, had employed Kroll Associates, the corporate research firm.

He could see no reason for "private detectives" unless they intended to "bug" Sir James and others associated with Hoylake. BAT maintains that Kroll will only be engaged in financial investigation.



Sir Jeremy Morse, chairman of Lloyds Bank – facing up to a darkening Third World debt

Provisions cut Lloyds Bank to £93m

By David Barchard

LLOYDS BANK, the smallest of the big four clearing banks, yesterday reported a sharp fall in its pre-tax profits in the six months to June 30 because of increased provision against Third World debt.

Pre-tax profits were down to £93m compared with £462m in the first half of last year, while provision against Third World debt jumped from £25m to £464m.

Sir Jeremy Morse, chairman, said that a good performance on the bank's core business had been "totally outweighed by a minus on LDC debt."

Of the total amount written off in debt provisions, only £183m was made as specific provisions against debts to particular countries according to the Bank of England Maxtrix. The remaining £300m is to be held as general provisions which can be allocated to particular country debts at a later date.

Without the debt provisions, Lloyds' pre-tax profits would have risen by 17 per cent to £557m. Assets grew to £57.33bn (£49.77bn), an increase of 11 per cent since the start of the year.

Net interest income rose by 17 per cent to £1.09bn (£930m) while other operating income was £680m (£531m).

Operating expenses were up by 18 per cent to £1.17bn, bringing the group's cost to income ratio to 62 per cent.

UK retail banking continued to be the largest single contributor to group profits with £279m (£261m), followed by corporate banking which made £89m (£72m). Lloyds Abbey Life, the subsidiary group created last autumn, contributed £52m.

International banking operations made a profit of £36m (£27m), while private banking and financial services contributed £32m (£26m). Lloyds Merchant Bank made a profit of £6m (£5m).

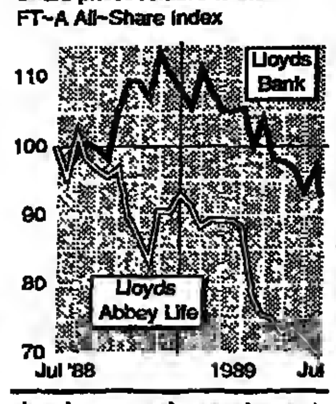
Mr Brian Pitman, group chief executive, said that Lloyds' main domestic banking activities continued to do well despite depressed market conditions. The bank's mortgage book had grown from £5.8bn to £6.2bn, while income from credit card fees was up from £14m to £20m.

Because of the provisions against bad debts, the bank's key ratios are now somewhat weaker. The shareholders' equity to assets ratio has fallen to 4.9 per cent (5.4 per cent) and the risk asset ratio is now 8.7 per cent, against 10.1 per cent at the beginning of the year. However the tier 1 capital ratio is more or less unchanged from a year ago at 5 per cent (5.1 per cent).

Despite a swing from earnings of 35p to losses of 11p per share the interim dividend is being increased by 16 per cent to 6.4p (5.5p).

See Lex

Share prices relative to the FT-A All-Share index



Black Horse loss hits Abbey Life

By Eric Short

PRE-TAX profits of the financial services subsidiary, Lloyds Abbey Life, declined nearly 13 per cent from £152.9m to £133.6m in the first half, with net profits dropping 12 per cent from £102.4m to £90.4m.

The three major life assurance operations, Abbey Life, Black Horse Financial and Europe, all showed improved profits; the combined pre-tax figure advancing seven per cent to £87.3m (£81.6m).

But this could not offset the severe profit decline in the non-life activities, where the estate agency business, Black Horse Agencies lost £5.9m pre-tax against a profit of £8.3m last year, and Lloyds Bowmaker Finance saw a 25 per cent drop in pre-tax profits to £37m (£49.4m), a reflection of the effect of high interest rates.

Mr Michael Hepher, the chairman, felt it unlikely that market conditions would improve this year.

Earnings were 13.6p (15.3p) and the interim dividend is raised to 6p (3.6p). There is a scrip alternative and Lloyds Bank will be taking shares.

The pensions boom dominated the new business figures of the life operations over the period for both Abbey Life and Black Horse Financial.

For Abbey Life, a 24 per cent rise in pension annual premiums from £23.6m to £29.2m offset a decline in life business and resulted in a 7 per cent rise in annual premiums to £53.3m (£49.9m).

Hanson drops price for Smith Corona

By Roderick Oram in New York

HANSON INDUSTRIES, the US arm of Hanson of the UK, has accepted a lower price than it expected for the sale of shares in Smith Corona, its typewriter subsidiary.

The 14.75m shares will be floated at $21 (£12.7) each compared with the target range of $33 to $35 a share which Hanson gave when it announced the sale of a 49 per cent stake in early June.

Despite a dearth of new issues and a rising stock market – the Dow Jones Industrial Average has risen 6 per cent since June 5 – the original target price ran into some resistance from investors and analysts.

"Hanson is rewarding itself handsomely" for its efforts in turning round Smith Corona which it acquired as part of SCM in 1986, wrote Mr Robert Natale in a Standard & Poor's research report on the offering.

Analysts are forecasting 1989 profits for Smith Corona of about $1.8 per share, indicating a price/earnings multiple of 11.7 on $21 a share. This is in line with market averages but some analysts expressed concern that money raised in the share offering was flowing to Hanson, not to Smith Corona.

Moreover, Smith Corona is borrowing additional money to pay to Hanson, making its balance sheet a little more leveraged than some analysts would like. As a result, they are advising buying the shares in the open market after the offering, which is likely to be one of the larger initial public offerings in the US in the second half of this year.

Hanson will receive about $386m from the exercise, made up of a net $291m from the offering and the balance from the borrowing. In said initially it hope to raise a total of some $428m.

See Lex

Mild winter helps Greggs rise 47% to £2.47m

By John Thornhill

THE MILD winter and lower-than-expected ingredient price increases helped Greggs, the Newcastle-based baker, lift pre-tax profits by 47 per cent from £1.68m to £2.47m in the 24 weeks to June 17.

However, Mr Mike Darrington, managing director, said trading in the second half had been affected by the current hot weather. Explaining the effects of the climate on the bakery business, Mr Darrington said: "In very hot weather people eat less. Our sandwich sales go up and sales of rolls also, but sales of other products, such as cream cakes, come crashing down, and sales of savouries and pasties come down quite considerably."

Turnover was ahead by 12 per cent at £34.27m (£30.67m). The interim dividend is increased to 4p (3.125p) and earnings rose to 14.2p (10p).

Since the start of the year Greggs has opened 12 shops and closed two. It now operates 396 shops in several areas and plans further expansion.

Mr Darrington said progress across all divisions had been excellent. Although Greggs was still losing money at its Enfield bakeries, bought in 1986, he hoped they would break even next year.

Profits made on disposal of properties amounted to £166,000 (£109,000).

Mr Ian Gregg, chairman, reported that since the end of the first half, trading had been flat but a satisfactory outcome was still expected for the year.

● **COMMENT**

Strange as it sometimes seems, Greggs's profits are indeed heavily dependent on the climate. The company says benign weather has a positive effect on turnover and an even stronger influence on profits – it produces a smoother pattern of sales and less wastage. The company benefited greatly from last winter's clement conditions and although it is not doing so well in the present heatwave, results for the year should not be too badly hit. The changing nature of Britain's eating habits would also seem to pose no worries for the company; Greggs can seemingly have its cake and eat it. On the one hand, it can benefit from those who prefer wholesome wholemeal loaves, while on the other it can continue to draw in those who want something a bit naughtier and nicer like cream buns. Pre-tax profits for the year may rise to £6.6m giving a prospective multiple of around 13, which still looks good value. Greggs has so far shown a sure touch in developing its business and that offers good prospects of sustainable growth.

Ayrshire Metal

The substantial growth achieved by Ayrshire Metal Products over recent years has continued. In the half year to end-June profits at the pre-tax level rose almost 70 per cent from £1.08m to £1.83m.

Sales of this maker of cold roll formed steel profiles were ahead £4m to £19m. An interim dividend of 2.5p (1.75p adjusted) is being paid from earnings of 12.04p (6.87p).

Misys jumps to £5.9m and growth continues

By John Murrell

MISYS, the acquisitive computing services group, yesterday unveiled a surge in profits from £2.22m to £5.85m pre-tax for the year to end-May.

The figures were enhanced by four acquisitions which cost £31.4m in total. A further four purchases, costing £50.7m, have been completed since year-end.

Mr Kevin Lomax, chairman, said that despite the heavy acquisition activity and further investment in additional premises at Worcester, group cash balances at year-end stood at over £4m.

He anticipated that Misys current operations would continue to produce a strong and predictable cash-flow. The group currently incorporates some 14 companies spread through four divisions.

Turnover for the past 12 months jumped from £7.94m to £25.6m. Earnings accelerated to 23.7p (14.9p) and shareholders are to receive a 1.8p lift in their total dividend to 4.8p via a proposed final of 3p.

Along with the preliminary results Mr Lomax also revealed that four non-executive directors were retiring along with Mr Philip Hatton who had resigned to pursue business interests outside the group.

At the same time, Mr John Sussens and Mr Gordon Skinner were joining the board as executive directors responsible for the computer solutions division and open systems division respectively. The non-executive representation was being strengthened via the appointment of Mr Strone Macpherson, who is also a director of Robert Fleming & Company.

Misys floated on the USM a little over two years ago at 95p, valuing the group at around £6m. Currently, Misys is valued in excess of £125m. The shares closed 5p higher yesterday at 451p.

RTZ considers offers for speciality chemical side

By Kenneth Gooding, Mining Correspondent

RTZ Corporation, the mining and industrial group, is actively considering offers for its speciality chemicals operations which are believed to be worth about £500m.

Rhone-Poulenc, the French state-owned chemicals group, said it had been talking to RTZ but denied a deal had been reached.

RTZ recently completed the acquisition of British Petroleum's mining and minerals assets for $4.3bn (£2.75bn). It raised £486m net by way of a rights issue of shares and the rest of the outlay was covered by $3.1bn of medium term bank facilities.

The UK group is also strongly rumoured to have considered disposing of its RTZ Pillar industrial division, worth at least £1bn, to help offset the cost of the BP deal.

Optical and Medical rises 38% to a record £7m

Optical and Medical International reported record taxable profits for the year to the end of March up 38 per cent from £5.1m to £7.03m. Turnover was £55.57m, against £40.69m.

Mr Wensley Haydoo-Baillie, chairman, said the technical services division, expanded by the acquisition of GED, had a most successful year. The engineering design group woo contracts for work major pojects including the new Airbus and the European fighter aircraft.

Earnings per share were 10.6p (10.2p) and the directors are recommending a final dividend of 3.46p to make a total of 5.11p (4.6p). The pre-tax figure was struck after increased net interest received almost doubled at £1.37m (£691,000).

The tax charge was £2.43m (£1.53m) and there was an extraordinary charge of £1.21m (£834,000) relating to the re-focusing of Omitec Electro-optics and other rationalisation costs.

Facing up to the prospect of more water torture

Andrew Hill on Nicholas Ridley's investigation into the proposed merger of three statutory companies

THERE SEEMS to be no escape from the shoals and rapids of water privatisation for Mr Nicholas Ridley. On Monday, he moved from the Department of the Environment, bringing his water torture to an end – or so he thought.

But three days later, in his reshuffled role at the Department of Trade and Industry, Mr Ridley was handed the task of investigating a proposed merger between three statutory water companies north-east of London through the Monopolies and Mergers Commission.

The deal planned by Colne Valley, Rickmansworth and Lee Valley water companies will be the first to fall under the Government's restrictions on water industry takeovers, introduced by Mr Ridley in January.

It comes at a particularly awkward time, as the Government is negotiating price increases for the water authorities to be privatised in autumn.

The 29 statutory water companies are already in the private sector. They supply water to 25 per cent of the population in England and Wales, alongside the 10 authorities, but do not have any responsibility for sewage.

Because of their unique status the statutory companies have already raised questions for the Government quite out of proportion to their size. Not only does this week's proposed merger bring that nightmare back to haunt the new trade and industry secretary, it also raises once again the politically sensitive issue of French involvement in the UK water industry.

Compagnie Générale des Eaux, France's largest water supplier, already owns Lee Valley and will be the biggest shareholder in the new public limited company, to be known as Three Valleys Water Services.

For Générale des Eaux and the three statutory companies, the deal seems to have an unavoidable logic.

Together they would be the seventh largest water supplier in the UK, ahead of four water authorities in terms of population and area supplied. They would have the clout to diversify into other local services and the backing of a large, experienced service company in Générale des Eaux.

Existing statutory company investors will be offered new shares in Three Valleys in exchange for their holdings, so the French company will strengthen its position in the UK industry at no extra expense.

The neighbouring statutory companies are already closely linked. Since last year, Colne Valley and Rickmansworth have shared the same management. In 1970, in the face of increasing demand for water in the area, the three companies became founder members of the statutory Three Valleys Water Committee.

The committee built and now operates a large water treatment works at Iver in Buckinghamshire, from which Rickmansworth and Colne Valley take about 20 or 30 per cent of their supply. Lee Valley should start taking water from the plant from 1991.

But the Government will worry that such a merger will reduce the number of independent water suppliers in the UK, jeopardising comparative competition – a key plank of its privatisation policy.

If the MMC decides "public interest reasons" outweigh the loss of comparative competition in the case of Three Valleys, and allows the merger to go ahead, it could prompt a series of takeovers in the industry. In the name of logic, authorities could argue that they too should be able to merge with water companies – or even with neighbouring authorities – thus realising economies of scale.

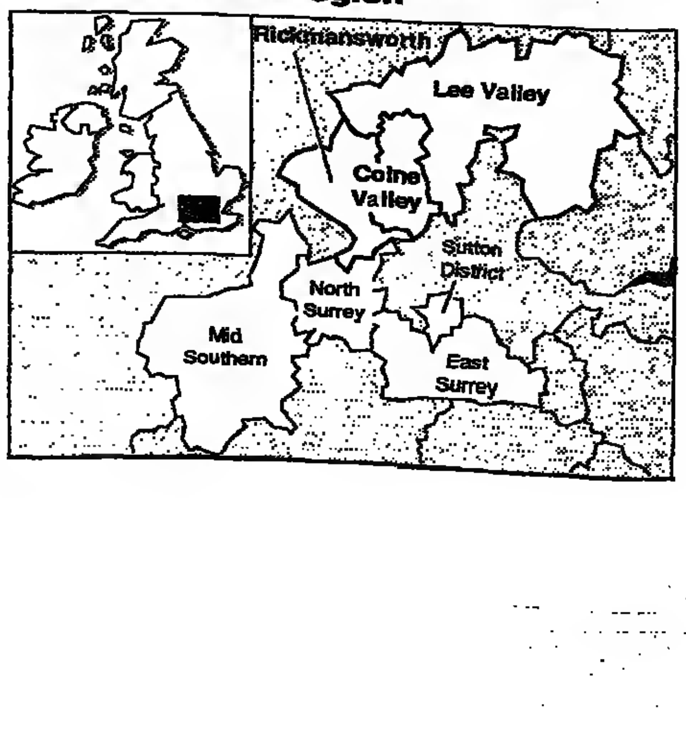
Eveo if they hurdle the MMC – which could take some time – the Three Valleys companies have other harriers to leap.

Générale des Eaux's rival, SAUR Water Services, a subsidiary of French construction giant Bouygues, is the most important one. Like Générale des Eaux, SAUR already owns four other statutory companies, but it also has large strategic stakes in Colne Valley (25 per cent) and Rickmansworth (27.7 per cent). They could be used to force a favourable deal out of Générale des Eaux.

Mr John Stansby, the pugnacious chairman of SAUR (UK), has already made clear he will not let SAUR's compatriot and rival gain cootrol of two more Three Valleys companies without a fight.

"We're keeping our powder dry, but they're going to have to please us," he warned this week.

Statutory water companies in the Thames Water's region



MARKET STATISTICS

BANK RETURN

BANKING DEPARTMENT	Wednesday July 26, 1989		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	93,622,359	-	2,115,444
Bankers Deposits	1,618,239,654	+	216,880,777
Reserve and other Accounts	2,054,940,700	-	6,332,483
	3,781,355,713	+	208,212,850
ASSETS			
Government Securities	1,053,111,529	+	35,580,000
Advance and other Accounts	748,810,064	-	283,980,806
Premises Equipment & other Secs	1,974,895,542	+	458,625,156
Notes	4,273,245	-	1,901,571
Coin	265,313	+	19,870
	3,781,355,713	+	208,212,850
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,095,726,755	+	71,901,571
Notes in Banking Department	4,273,245	-	1,901,571
	15,100,000,000	+	70,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	12,323,731,748	-	677,016,152
Other Securities	2,765,253,152	+	747,016,152
	15,100,000,000	+	70,000,000

ECONOMIC DIARY

TOMORROW: Mr James Baker, US Secretary of State, attende aninternallonal conlarenca on Cambodia in Paris. Polish Communist Party'e central committee two-day maeting concludes in Warsaw.

MONDAY: Target date for launch of apace shuttle Columbia carrying secret military payload. Industrial Society conference on managing for involvament and innovation. Bank of England publishes Juna figures for London sterling certificates of deposit; bill turnover statistics; sterling commercial paper; UK banks' assets end liabilities and the money stock. Trades Union Congress publishes agenda for annual meeting.

TUESDAY: China's national army day. Overseas earnings of the City (1988) from the Central Statistical Office. P&O European Ferries and seven men appear at Bow Street Magistrates Court following Zeebrugge ferry disaster. Milk Marketing Board annual meeting, Queen Elizabeth II conference centre, London. Interims from BAA Group and National Westminster Bank.

WEDNESDAY: Group of aight Latin American foreign ministers meet in Cartagena, Columbia, to discuss aganda for and-year presidential summit. Figures for UK official reserves for July from the Treasury. Advance anergy statistics for June from the Department of Energy. Capital issues and redemptions in July from tha Bank of England. Department of Employment publishes May figures for overseas travel and tourism; and detailed analysis of employment, unemployment, earnings, prices, and other indicators. Unitad Kingdom Atomic Energy Authority publishes annual report. Interims from Barclays Bank, and Glynwed International

THURSDAY: Figures for housing starts and completions in June from the Department of the Environment. International gypsy conference opens, Amsterdam, (until August 6). Interims from British Airways (quarterly), and Midland Bank.

EUROPEAN OPTIONS EXCHANGE

Series		Aug 89 Vol	Last	Nov 89 Vol	Last	Feb 90 Vol	Last	Stock
Gold C	$370	40	7	-	-	-	-	$370.40
Gold C	$390	350	1	-	-	-	-	$370.40

Series		Aug 89 Vol	Last	Sep 89 Vol	Last	Oct 89 Vol	Last	Stock
EOE Index C	[illegible]							
EOE Index C	[illegible]							
EOE Index C	[illegible]							
EOE Index C	[illegible]							
EOE Index C	[illegible]							
EOE Index C	[illegible]							
EOE Index P	[illegible]							
EOE Index P	[illegible]							
EOE Index P	[illegible]							
EOE Index P	[illegible]							
EOE Index P	[illegible]							
EOE Index P	[illegible]							
EOE Index P	[illegible]							
S/FI C	[illegible]							
S/FI C	[illegible]							
S/FI C	[illegible]							
S/FI P	[illegible]							

Series		Oct 89 Vol	Last	Jan 90 Vol	Last	Apr 90 Vol	Last	Stock
ABN C	[illegible]							
ABN P	[illegible]							
Aegon C	[illegible]							
Ahold C	[illegible]							
Ahold P	[illegible]							
Akzo C	[illegible]							
Akzo P	[illegible]							
Amev C	[illegible]							
Amro C	[illegible]							
Amro P	[illegible]							
BUHRMANN-T C	[illegible]							
DAF N.V. C	[illegible]							
DAF N.V. P	[illegible]							
N.V. DSM C	[illegible]							
N.V. DSM P	[illegible]							
Elsevier C	[illegible]							
Gist-Broc C	[illegible]							
Gist-Broc P	[illegible]							
Heineken C	[illegible]							
Heineken P	[illegible]							
Hoogovens C	[illegible]							
Hoogovens P	[illegible]							
KLM C	[illegible]							
KLM P	[illegible]							
KNP C	[illegible]							
KNP P	[illegible]							
NEDLLOYD C	[illegible]							
NEDLLOYD P	Fl. 420	90	8.60	5	15.20 a	-	-	Fl. 450.50
Nat.Ned. C	Fl. 70	467	1.30	127	2.90	11	4.10	Fl. 66.90
Nat.Ned. P	Fl. 65	42	1.70	-	-	-	-	Fl. 66.90
Philips C	Fl. 45	1837	1.78	475	2.80	112	3.90	Fl. 42.30
Philips P	Fl. 45	1310	3.50	37	4.20	88	5.30	Fl. 42.30
Royal Dutch C	Fl. 140	366	6	34	8.70	12	10.20	Fl. 141.50
Royal Dutch P	Fl. 140	349	4.10	2	5.50	-	-	Fl. 141.50
Unilever C	Fl. 140	192	13.50	16	15.50	2	17.50	Fl. 150.80
Unilever P	Fl. 150	83	3.70	102	5.30	12	6.70	Fl. 150.80
Van Ommeren C	Fl. 50	355	1.90	17	5.50	-	-	Fl. 45.60
Van Ommeren P	Fl. 45	248	2.30	3	3.20	-	-	Fl. 45.60
Wessanen P	Fl. 90	118	2.30	-	-	-	-	Fl. 91.50

TOTAL VOLUME IN CONTRACTS : 44,773

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm.Bk.N.East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptns.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc.	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Beneficial Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Midland Bank	14		
Citibank NA	14	Mount Banking	14		
City Merchants Bank	14	Nat Bk. of Kuwait	14		

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9% Savewise 8.5%, Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 13.25% - 15%

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Fri Jul 28 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Thu Jul 27 Index No.	Wed Jul 26 Index No.	Tue Jul 25 Index No.	Year ago (approx.) Index No.	1989 High		1989 Low		Since Compilation High		Since Compilation Low	
1 CAPITAL GOODS (206)	995.55	+0.7	10.70	4.03	11.50	16.49	988.39	983.17	985.51	808.65	1005.51	19/5	775.54	5/1	1038.07	16/7/87	50.71	13/12/74
2 Building Materials (29)	1222.73	+0.3	12.06	4.33	10.33	25.92	1218.70	1211.58	1213.22	1019.23	1287.14	19/5	939.06	3/1	1381.88	16/7/87	44.27	11/12/74
3 Contracting, Construction (37)	1628.82	+0.1	14.58	4.31	8.96	32.78	1627.14	1615.16	1616.12	1603.22	1801.66	14/3	1468.31	3/1	1951.50	16/7/87	71.48	2/12/74
4 Electricals (9)	2944.44	+0.4	7.95	3.91	15.57	50.60	2933.92	2929.26	2946.00	2208.29	3001.64	19/7	2294.30	3/1	3001.64	19/7/89	84.71	25/6/62
5 Electronics (30)	2283.36	+0.8	8.50	3.28	15.36	23.95	2264.58	2258.95	2268.75	1776.13	2308.22	19/5	1776.44	3/1	2308.22	19/5/89	1229.01	8/10/85
6 Mechanical Engineering (56)	549.15	+0.6	9.71	3.87	12.64	9.50	546.13	543.74	545.78	420.73	558.05	20/7	486.34	3/1	558.05	20/7/89	45.43	5/1/75
8 Metals and Metal Forming (6)	529.82	+0.5	19.37	5.62	5.66	3.23	529.05	525.13	528.27	497.30	562.47	19/5	452.62	3/1	596.67	9/10/87	49.65	6/1/75
9 Motors (17)	359.74	+4.3	10.28	4.22	11.41	6.83	345.81	344.43	344.18	284.26	359.74	28/7	258.24	5/1	411.42	13/10/87	19.91	6/1/75
10 Other Industrial Materials (23)	1698.93	+0.2	9.12	4.13	13.09	32.74	1695.55	1678.46	1677.78	1329.94	1722.22	19/7	1311.63	3/1	1736.80	22/9/87	277.55	15/1/81
21 CONSUMER GROUP (186)	1328.15	+1.2	8.24	3.21	15.22	28.25	1312.95	1299.50	1298.48	1100.10	1328.15	28/7	1016.74	3/1	1406.32	16/7/87	61.41	13/12/74
22 Brewers and Distillers (22)	1462.51	+1.9	9.14	3.34	13.68	21.75	1435.87	1424.39	1425.13	1115.38	1462.51	28/7	1112.42	3/1	1462.51	28/7/89	69.47	13/12/74
25 Food Manufacturing (20)	1202.82	+0.3	8.42	5.47	14.87	20.55	1198.49	1391.14	1189.64	1005.79	1212.66	14/7	926.04	5/1	1212.66	14/7/89	59.67	11/12/74
26 Food Retailing (14)	2533.86	+0.6	7.96	2.72	16.60	32.27	2519.83	2489.79	2472.24	1984.83	2533.86	28/7	1784.64	3/1	2649.96	16/7/87	54.25	11/12/74
27 Health and Household (14)	2365.86	+0.8	6.21	1.73	18.99	22.20	2346.44	2313.59	2314.41	1854.49	2365.86	28/7	1778.20	5/1	2699.85	16/7/87	175.38	28/5/80
29 Leisure (33)	1759.03	+1.6	7.16	3.17	57.32	29.19	1731.65	1716.15	1719.25	1348.78	1759.03	28/7	1346.22	3/1	1759.03	28/7/89	54.83	9/1/75
31 Packaging & Paper (15)	607.07	+0.6	9.65	4.08	13.08	8.30	603.19	601.67	603.64	537.40	607.36	8/2	323.08	3/1	739.48	16/7/87	43.46	6/1/75
32 Publishing & Printing (19)	3791.66	+1.0	8.26	4.39	15.52	71.88	3755.37	3696.58	3693.27	3638.61	3916.24	8/2	3236.76	4/1	5070.66	5/10/87	55.08	6/1/75
34 Stores (34)	891.79	+2.1	10.06	4.88	12.98	56.19	873.26	864.37	864.24	809.13	891.79	28/7	679.97	3/1	1160.58	29/7/87	52.63	6/1/75
35 Textiles (15)	563.23	+0.1	10.62	5.16	11.28	14.97	562.63	556.14	551.99	610.75	564.75	17/7	464.58	0/0	914.52	2/10/87	62.66	11/12/74
40 OTHER GROUPS (94)	1193.70	+0.4	9.66	3.99	12.59	19.58	1188.51	1179.25	1182.00	899.07	1195.16	14/7	896.15	3/1	1395.16	14/7/89	58.63	6/1/75
41 Agencies (17)	1468.43	+0.9	7.20	2.30	57.21	15.62	1454.87	1410.70	1417.98	1118.83	1468.43	28/7	1030.84	3/1	1795.57	17/7/87	870.35	4/12/87
42 Chemicals (23)	1321.52	+0.5	11.12	4.70	10.63	27.02	1315.42	1311.36	1316.81	1059.90	1325.86	27/6	1026.37	3/1	1545.46	5/10/87	71.20	1/12/74
43 Conglomerates (13)	1712.65	+1.8	9.99	4.76	11.77	26.22	1695.98	1679.77	1686.68	1219.90	1734.38	12/7	1254.94	3/1	1734.38	12/7/89	973.19	18/11/87
45 Transport (13)	2482.11	-0.5	8.46	3.63	15.36	39.22	2495.21	2467.23	2447.29	1913.81	2554.69	12/7	1836.25	4/1	2554.69	12/7/89	90.80	29/6/62
47 Telephone Networks (2)	1085.68	+1.0	11.29	4.57	11.54	22.38	1075.28	1075.73	1078.30	964.29	1179.42	18/5	1002.43	5/1	1274.14	9/6/87	517.42	30/11/84
48 Miscellaneous (26)	2053.95	-0.2	7.99	2.91	14.21	24.45	2058.78	2039.59	2048.05	1207.71	2087.06	11/7	1383.56	5/1	2087.06	13/7/89	60.39	6/7/75
49 INDUSTRIAL GROUP (486)	1223.29	+0.8	9.31	3.65	13.28	19.58	1213.16	1203.20	1204.37	981.83	1223.29	28/7	935.74	5/1	1268.86	16/7/87	59.81	13/12/74
51 Oil & Gas (14)	2168.22	+0.4	9.80	5.16	13.57	64.24	2159.56	2154.58	2166.58	1856.99	2192.91	20/7	1725.48	0/0	2458.68	16/7/87	87.23	29/5/62
59 500 SHARE INDEX (500)	1303.74	+0.8	9.37	3.85	13.32	23.15	1293.67	1284.84	1286.06	1055.93	1303.74	28/7	1002.81	5/1	1369.88	16/7/87	63.49	13/12/74
61 FINANCIAL GROUP (124)	785.13	+1.4	–	5.09	–	18.13	774.19	770.09	770.58	708.56	785.77	19/7	670.86	3/1	895.67	13/10/87	35.88	13/12/74
62 Banks (9)	776.22	+3.5	22.26	6.21	5.90	21.71	749.67	747.21	748.34	674.91	788.44	8/2	657.74	5/1	898.38	16/7/87	61.44	12/12/74
65 Insurance (Life) (8)	1179.12	+0.3	–	5.06	–	29.86	1175.42	1168.58	1170.52	1070.31	1191.67	19/7	933.96	3/1	1285.72	9/10/87	44.88	2/1/75
66 Insurance (Composite) (7)	623.48	+0.7	–	5.77	–	16.75	619.07	612.11	611.60	556.80	629.98	19/7	528.72	3/1	787.58	13/10/87	43.96	13/12/74
67 Insurance (Brokers) (7)	982.89	+0.6	7.68	6.31	17.52	31.63	976.62	971.98	970.53	986.26	1071.22	8/2	916.68	3/1	1399.56	17/7/87	65.86	16/12/74
68 Merchant Banks (10)	370.16	+0.3	–	4.28	–	7.30	368.97	363.10	364.63	351.43	372.84	21/7	318.05	5/1	547.59	12/10/87	31.21	7/1/75
69 Property (52)	1373.58	–	6.14	2.85	20.73	16.89	1373.78	1369.40	1367.35	1226.88	1396.58	14/7	1198.13	3/1	1396.58	14/7/89	56.01	20/4/65
70 Other Financial (31)	378.75	+0.6	11.22	5.77	11.37	9.63	376.63	375.71	377.12	381.82	391.49	8/2	342.99	5/1	603.49	16/7/87	53.29	17/12/74
71 Investment Trusts (69)	1220.13	+0.6	–	2.70	–	15.02	1212.75	1205.73	1207.84	913.52	1220.13	28/7	922.04	3/1	1220.13	28/7/89	71.12	13/12/74
81 Mining Finance (2)	691.20	+0.3	8.84	3.72	13.85	10.45	689.41	681.43	678.47	526.27	691.20	28/7	561.50	5/1	727.93	3/8/87	66.31	30/9/74
91 Overseas Traders (8)	1429.23	+0.7	9.75	4.97	11.71	35.07	1418.80	1409.05	1412.88	1147.35	1439.44	10/2	1275.76	5/1	1447.77	7/11/88	97.37	6/1/75
99 ALL-SHARE INDEX (703)	1176.69	+0.9	–	4.88	–	21.60	1166.71	1158.37	1159.93	965.18	1176.69	28/7	921.22	3/1	1238.57	16/7/87	61.92	13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 27	Jul 26	Jul 25	Jul 24	Jul 21	Year ago	1989 High		1989 Low		Since Compilation High		Since Compilation Low	
FT-SE 100 SHARE INDEX‡	2306.0	+22.3	2306.0	2286.2	2283.7	2264.5	2269.4	2259.1	2283.0	1853.6	2306.0	28/7	1782.8	5/1	2445.4	16/7/87	986.9	23/7/84

FIXED INTEREST

PRICE INDICES	Fri Jul 28	Day's change %	Thu Jul 27	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	118.64	+0.12	118.50	–	7.13
2 5-15 years	134.50	+0.23	134.33	0.14	8.26
3 Over 15 years	147.97	+0.29	147.55	–	7.09
4 Irredeemables	168.45	+0.17	168.16	–	7.32
5 All stocks	132.28	+0.20	132.09	0.07	7.86
Index-Linked					
6 5 years	140.72	+0.13	140.54	–	1.36
7 Over 5 years	138.48	+0.07	138.38	–	2.33
8 All stocks	138.53	+0.07	138.43	–	2.24
9 Debentures & Loans	113.46	+0.07	113.39	–	6.16
10 Preference	88.29		88.29	–	3.50

AVERAGE GROSS REDEMPTION YIELDS		Fri Jul 28	Thu Jul 27	Year ago (approx.)	1989 High		1989 Low	
British Government								
1 Low	5 years	9.51	9.71	9.53	18.39	30/12	8.88	9/2
2 Coupons	15 years	9.14	9.11	9.42	9.76	14/6	8.77	9/2
3	25 years	9.06	9.04	9.19	9.59	14/6	8.73	16/2
4 Medium	5 years	10.32	10.34	9.96	11.35	14/6	9.96	8/2
5 Coupons	15 years	9.51	9.54	9.66	10.28	14/6	9.21	8/2
6	25 years	9.17	9.20	9.44	9.81	14/6	8.85	17/2
7 High	5 years	10.45	10.46	10.06	11.44	14/6	10.13	8/2
8 Coupons	15 years	9.74	9.77	9.80	10.49	14/6	9.41	8/2
9	25 years	9.37	9.40	9.46	9.99	14/6	8.99	27/1
10 Irredeemables†		9.12	9.13	9.63	9.57	14/6	8.68	15/3
Index-Linked								
11 Inflation rate 5%	5yrs.	2.99	3.01	2.79	4.04	2/6	2.99	28/7
12 Inflation rate 5%	Over 5 yrs.	3.51	3.51	3.82	3.84	5/6	3.44	13/3
13 Inflation rate 10%	5 yrs.	2.20	2.21	1.75	3.30	2/6	2.11	24/1
14 Inflation rate 10%	Over 5 yrs.	3.34	3.34	3.65	3.67	5/6	3.28	13/3
15 Debs &	5 years	12.40	12.41	10.90	12.56	12/4	11.47	30/12
16 Loans	15 years	11.85	11.85	10.86	11.86	25/7	11.19	1/2
17	25 years	11.32	11.33	10.86	11.38	14/6	10.66	27/2
18 Preference†		10.26	10.26	9.69	10.43	30/12	10.00	17/3

‡Opening Index 2286.3; 10 am 2295.4; 11 am 2295.3; Noon 2294.4; 1 pm 2294.3; 2 pm 2294.4; 3 pm 2296.5; 3.30 pm 2294.8; 4 pm 2297.1 (a) 5.00pm (b) 9.02am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 32p.
CONSTITUENT CHANGES: Beecham (27) and Guinness Mahon (68) have been deleted. Smithkline Beecham (27) has been inserted. NAME CHANGE: Evered Holdings is now Evered(2).

Komatsu purchases 64% holding in Hanomag

By David Goodhart in Bonn

HANOMAG, the Hanover-based construction equipment group, said yesterday it was being taken over by Komatsu of Japan, the world's second largest construction equipment company.

Further details are expected on Monday, but Komatsu is believed to have provisionally bought 64 per cent of the West German company.

Hanomag went public in 1987 and since then Mr Horst and Mr Helmut Gassmann have held 64 per cent – now bought by Komatsu. A further 32 per cent is owned by Mr Guenther Papenburg, who will retain his stake.

The group was taken over by a group of entrepreneurs after the demise of its predecessor, a subsidiary of the IBH Holding construction equipment group, which collapsed in 1983.

The revived company has a turnover of about DM350m ($188m) and employs 1,500 people. It says that there are more than 40,000 of its earth-moving machines at work around the world. About half of these are operating in West Germany.

Komatsu, which has a factory at Birtley, Tyne and Wear in the UK, may be especially interested in Hanomag's relationship with the Soviet Union and East Germany.

Last year it signed a big deal to upgrade some of the output of the world's biggest bulldozer factory in the Urals, which is said to be worth about DM100m a year over seven years.

At the Leipzig Fair earlier this year it signed a deal with Baukema of East Germany to modernise some of its bulldozers, with a view to selling them in Western markets.

In May Komatsu reported an annual pre-tax profit of Y28.5bn ($205m) and forecast that growth in domestic sales, which had turned the profit trend upward in the past year, would continue to compensate for falling exports.

The company, in the first year of a new accounting period, had sales of Y566.5bn, up from previous full-year sales of Y539bn in 1987.

Domestic sales rose as a proportion of total sales from 55.6 to 64.7 per cent in the 15 months to March. The company forecasts pre-tax profit will rise this year to Y31.5bn.

Sun Micro share price plunges

By Louise Kehoe in San Francisco

SUN Microsystem's stock price plunged in early trading yesterday, losing more than 10 per cent of its value to trade at a three-year low of $14.50 on news that the computer workstation manufacturer expects losses of $20m to $26m for the fourth quarter, and that losses may extend into the current first fiscal quarter.

The company's latest forecast, issued late on Thursday, is worse than analysts had expected. In June Sun said it might report "a slight loss" for the fourth quarter, ending June 30, but company executives said they faced "a one-quarter problem."

The fourth-quarter loss will be Sun's first in seven years of record growth. The company is the market leader in the fast-moving market for high-powered desktop computer workstations. Its current problems stem from a breakdown of internal controls caused by the failure of a new mainframe computer system at a critical time.

In April Sun revamped its entire product line, launching five new products. Since then the company has been unable to keep track accurately of orders for a changing mix of products. Partly as a result of the computer problems, Sun also faces a shortage of components.

Sun said fourth-quarter revenues would be in the range of $425m to $435m, up about 16 to 19 per cent from the same quarter last year. This would result in fiscal 1989 revenues of between $1.75bn and $1.77bn, up about 65 per cent from fiscal 1988's revenues of $1.05bn but far short of the company's often-stated goal of $2bn.

Full-year earnings per share will likely be in the 72 to 78 cents range, compared with the 89 cents reported in fiscal 1988.

Hooker pulls down Herscu company

By Chris Sherwell in Sydney

THE COMPANY which controlled the collapsed Hooker Corporation was placed in receivership yesterday, a direct result of the debt-troubled property group's demise earlier this week.

Hersfield Developments was the principal vehicle of Mr George Herscu, who borrowed heavily to invest in new US shopping malls and retail operations.

Hooker Corp's debts amounted to A$1.9bn (US$1.4bn). Its collapse followed disagreements between Mr Herscu and the group's 45 banks over the urgent need for asset sales.

This led to the abrupt termination of a previously agreed four-month moratorium on debt repayments by the banks, and the appointment of Mr John Harkness, of Peat Marwick Hungerfords, as provisional liquidator.

He is now hoping to avoid a fire-sale of Hooker's assets and to keep the business going in some form. He is seeking some short-term funding from the banks and is despatching two colleagues to the US this weekend to clarify the position there.

Hersfield's receiver is also keen to avoid a fire-sale of assets, which include Australian shopping centres and office developments. Mr Herscu himself, however, is believed to have lost a fortune as a result of the collapse, and the impact on overall confidence in the property sector is still being assessed.

Strong demand boosts Bridgestone

INTERIM pre-tax profits of Bridgestone, Japan's leading tyre maker, rose 13.8 per cent to Y40.8bn ($294m) on sales up 15 per cent to Y334.6bn, Ian Rodger writes from Tokyo.

The company attributed much of the gain to strong demand in both domestic and overseas markets. Overseas sales were up 35 per cent to Y109.1bn, with sales to the US, Europe and the Middle East particularly strong.

Tyre sales, accounting for 78 per cent of total sales, were up 14 per cent to Y261.4bn.

The figures are for the parent company only and so do not reflect the activities of Firestone Tire and Rubber of the US, acquired last March, or other subsidiaries.

Net earnings rose 13 per cent to Y19.2bn. The company sees pre-tax profits of Y83bn for the full year, an 18 per cent rise.

Seal put on Spanish savings banks' link

By Tom Burns in Madrid

SPAIN'S BIGGEST and third largest savings banks, La Caja de Pensiones (La Caixa) and the Caja de Ahorros de Barcelona, formally presented plans to the local Catalan government yesterday for a merger that will create, in deposit terms, the biggest financial institution in Spain.

The new institution, which will be known as La Caixa, will have a balance sheet total of more than $30bn and a network of 2,000 branches, principally in Catalonia.

The merger represents a big leap in the challenge posed by Spain's savings bank to conventional banks and secures for Catalonia a locally based financial institution, the size of which mirrors the area's industrial and commercial muscle.

La Caixa was already the largest of Spain's financial institutions, measured in deposits terms, until Banco de Bilbao and Banco de Vizcaya joined forces last year. The merged Catalan savings bank would be comfortably ahead of the joint Basque banks.

Already Spain's savings banks, which plough back their surpluses into reserves and community projects, have shown considerable expertise in taking on the retail banks. In the past 10 years they have increased their share of total deposits from 33 per cent to nearly 46 per cent.

Led by La Caixa and Caja de Madrid, the second biggest savings bank, the cajas have recently been offering clients a full range of banking services including leasing, insurance and mortgages. Last year the Government lifted restrictions that limited the activities of savings banks to their local regions and La Caixa has, in past months, developed a strong network outside Catalonia.

The Catalan local government, the Generalitat, plays a boardroom supervising role over savings banks that fall within its jurisdiction. Together with the Economy Ministry in Madrid, it will play a part in deciding the capital gains tax relief that will be due to the enlarged La Caixa. This sum could total close to $2bn.

The Generalitat will have in the new institution a powerful instrument with which to channel funds into its own industrial projects.

The chairman of the new La Caixa, if the merger is approved, will be Mr Juan Antonio Samaranch who, as president of the International Olympic Committee, played a key role in bringing the 1992 Olympic Games to his home town of Barcelona.

Canada papers over the poisons

David Owen on attempts by the pulp industry to control pollution

The environmental chickens are coming home to roost in the Canadian pulp and paper industry.

As the Green movement gathers momentum, the prospect of stiffer environmental regulations is forcing companies to scramble to put improved pollution control systems into place.

The Pacific coast province of British Columbia acted by unveiling stiffer rules in May. Canadian federal authorities and the provinces of Ontario and Quebec are all expected to do the same soon.

The pressure comes as the sector's profit cycle appears to be peaking after two record years. According to figures released last week, sagging newsprint prices and adverse currency fluctuations scythed second-quarter income at three large integrated companies.

Year-on-year profit declines at Abitibi-Price, Noranda Forest and MacMillan Bloedel totalled 47 per cent, 17 per cent and 28 per cent respectively. With a slew of new capacity due on stream in the next 12 months, analysts such as Mr Amit Wadhwaney, of Bunting Warburg, expect pressure on newsprint prices to continue.

The principal focus of environmental concerns is the release of toxins – especially chlorinated organic compounds – in mill waste discharges. Such compounds are thought to form when chlorine is mixed with lignin, the natural bonding agent in wood, in the chemical pulp bleaching process employed by kraft mills.

Dioxins – a generic term which covers a total of 75 chlorinated compounds – are among the toxins to have been found in pulp mill waste. One form of dioxin, TCDD, has been described by the environmental group Greenpeace as "the most toxic known molecule made by humans."

The British Columbia regulations will force mills, by 1994, to cut production of chlorinated organic compounds to 1.5 kg per tonne of pulp produced. By the end of 1991 they must have built secondary effluent treatment systems.

The aggregate cost of compliance has been estimated by Mr Bruce Strachan, British Columbia's Environment Minister, at C$800m (US$678m). The regulations were unveiled within six months of the closure of fisheries in the vicinity of three pulp mills following the discovery of dioxins in shellfish.

The Canadian Pulp & Paper Association (CPPA) says its members are committed to spending more than C$1bn over a number of years on projects related to the environment.

Steps to be taken include the installation of oxygen delignification, the institution of more stringent checks for dioxin contamination in preservative-treated wood-chips, and the use of better pre-bleaching washing techniques. "A central strategy everywhere is to reduce the use of chlorine," the association said.

The association released last month a set of environmental principles for member companies to adhere to. These include undertakings to conduct their business "in a responsible manner designed to protect the environment and the health and safety of employees, customers and the public" and to "assess, plan, construct and operate facilities in compliance with all applicable regulations."

The CPPA statement followed three months after the leaking to the Vancouver press of a federal government report which painted a gloomy picture of industry compliance with current federal regulations enacted in 1971.

Although praising the industry for cutting toxic discharges by a third between 1978 and 1985 and reducing solids in mill waste by 38.4 per cent over the same period, the report said "approximately 83 of Canada's 123 direct discharge mills would fail to meet the federal acute toxicity test." (The effluent from such mills does not pass through a municipal sewage system.)

"Strict enforcement of the regulations . . . could result in virtually every mill that is subject to the regulations being charged with exceeding federal pollution standards on any single day's sampling."

The main difficulty for administrators is that mills that were built before the new rules came into effect "have never been brought under the regulations."

Fewer than half the 11 mills singled out as the industry's worst polluters employ the kraft process principally targeted by the new regulations. Six use the outmoded sulphite process which now, according to the CPPA, accounts for less than 10 per cent of Canadian pulp production.

Sulphite mills, which generally number among the oldest continually operating plants in Canada, usually employ a hypochlorite or chlorine dioxide bleaching system.

Israeli bank sell-off plan stalls

By Hugh Carnegy in Jerusalem

THE ISRAELI Government's plan to dispose of its majority, but non-controlling, shareholdings in the country's commercial banks has run into trouble just as it looked set to get off the ground.

Earlier this week government officials said Mr Shimon Peres, the Finance Minister, had decided to split off Bank Igud, a profitable subsidiary of Bank Leumi, Israel's second-largest bank, from its parent and sell a majority shareholding in it in a negotiated-bid process.

This was to be the decisive first step in the disposal to the private sector of government holdings in the four leading banks.

Shares in the banks were acquired in 1983, for about $7bn, to rescue them from a stock market collapse. However, a system of preference shares left control in the hands of minority shareholders.

The Government has reached agreement in principle with the banks' controlling interests to introduce a one-share, one-vote regime to make its planned share sales attractive. But the Finance Ministry has run into difficulties as it holds only a 37 per cent direct stake in Bank Igud, while Bank Leumi holds more than 40 per cent.

Thus, even after share equalisation, the Government could only sell a controlling stake in Bank Igud with the co-operation of Bank Leumi – controlled by OHH, the Jewish Colonial Trust – or by enforcing share equalisation of the parent bank and dismissing the present board.

Mr Adi Amorai, head of MI Holdings, the government-owned company charged with disposing of the state's bank shares, said this week the latter course would be followed if Bank Leumi was not prepared to co-operate – which it is not.

But it became clear yesterday that the Finance Ministry was reluctant to take this step. Instead, a memorandum from Mr David Gall, assistant to Mr Peres, to interested parties who met on the matter this week speaks only of selling by tender the Government's present shareholding in Bank Igud.

Aetna Life advances by 25%

By Karen Zagor in New York

AETNA Life & Casualty, the largest investor-owned US insurance company, yesterday reported a 25 per cent increase in third-quarter earnings.

Net income for the three months ended June 30 was $169.6m or $1.52 a share, against $136.1m or $1.19 a year earlier. Revenues were $5.01bn compared with $4.80bn.

Both results were distorted by extraordinary items. The latest quarter included realised capital gains of $12m or 11 cents a share compared with realised capital losses the previous year of $17m or 14 cents a share. The year-ago period also included an after-tax charge of $43m.

The Hertford, Connecticut company, which is the third largest domestic property and casualty insurance underwriter, said net income for the first half was $343.2m or $3.04 a share, against $268.7m or $2.34 a year earlier. Revenues were $9.57bn compared with $9.07bn the previous year.

The company said auto/homeowners combined ratio in the latest quarter was 116.6. Earnings from life, health and annuity were $19m, unchanged from the previous year.

Rustenburg Platinum raises sales 25%

By Jim Jones in Johannesburg

RUSTENBURG Platinum, the world's largest producer of platinum group metals, lifted sales by almost 25 per cent in the year to June 30, largely due to favourable exchange rate movements and higher nickel prices.

Revenues from platinum sales were little changed on the previous year although the company does not disclose details of such sales.

Turnover increased to R2.93bn ($1.1bn) in the year to June 30 from the previous year's R2.37bn. Operating profit before interest and tax rose to R1.58bn from R1.11bn and pre-tax profit was R1.44bn against R980m.

Directors say the company's new precious metals refinery in Bophuthatswana, commissioned at the end of March, is operating satisfactorily. The refinery replaces facilities in Britain and South Africa.

Operations were little affected by a strike at the base metals refinery. Production was barely hit as alternative labour was found inside the company.

The year's earnings increased to 475.4 cents a share from 306.9 cents and the dividend has been lifted to 300 cents from 200 cents.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1989	Low 1989
Gold per troy oz.	$369.75	-2.00	$435.75	$412.25	$360.25
Silver Per troy oz	313.90p	-6.85	397.65p	358.85p	313.90p
Aluminium 99.7% (cash)	$1745	+1	$2685	$2610	$1664
Copper Grade A (cash)	£1563.5	+16.5	£1252.0	£1982.5	£1474
Lead(cash)	£423.25	-3.75	£343.5	£443.5	£337
Nickel (cash)	$12850	+800	$14500	$19350	$11450
Zinc (cash)	$1652.5	-45.0	£723	$2107.5	$1497.5
Tin (cash)	$9555.0	-7.5	£4290	$10760	$7460
Cocoa Futures (Sep)	£849	-25	£949	£900	£715
Coffee Futures (Sep)	£762	-58	£1025	£1270	£762
Sugar (LDP Raw)	$358	+1	$297	$363.6	$235.8
Barley Futures (Nov)	£107.55	+0.25	£104.30	£113.50	£100.95
Wheat Futures (Nov)	£108.85	+1.25	£106.45	£121.65	£104.7
Cotton Outlook A Index	84.95c	+1.05	60.55c	84.95c	61.35
Wool (64s Super)	590p	-13	650p	710p	590p
Rubber (Spot)	58.5p	-0.5	75.75p	64p	55p
Oil (Brent Blend)	$17.075	-0.835	$15.75	$21.35	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$14.50-4.65z	-.125
Brent Blend	$17.00-7.15w	-0.20
W.T.I. (1 pm est)	$18.10-8.15z	-0.23
Oil products		
(NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$187-188	+2
Gas Oil	$148-149	-1
Heavy Fuel Oil	$84-86	
Naphtha	$154-156	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$369.75	-4.50
Silver (per troy oz)♣	514c	-9
Platinum (per troy oz)	$483.00	-7.25
Palladium (per troy oz)	$146.70	-1.95
Aluminium (free market)	$1745	-10
Copper (US Producer)	111⅝-119	-1½
Lead (US Producer)	38.5c	-1.0
Nickel (free market)	590c	-5
Tin (Kuala Lumpur market)	25.61r	
Tin (New York)	441.5	-6.0
Zinc (US Prime Western)	80⅜c	
Cattle (live weight)†	115.88p	
Sheep (dead weight)†	152.38p	
Pigs (live weight)†	83.05p	
London daily sugar (raw)	$358.0t	+8.4
London daily sugar (white)	$508.0t	+4.5
Tate and Lyle export price	£330.5	+5.5
Barley (English feed)	£114.5w	
Maize (US No. 3 yellow)	£131	+1
Wheat (US Dark Northern)	£121.75t	
Rubber (spot)♥	53.50p	+0.50
Rubber (Sep)♥	61.00p	+0.25
Rubber (Oct)♥	61.50p	+0.25
Rubber (KL RSS No 1 Aug)	252.5m	+0.5
Coconut oil (Philippines)§	$605t	-5
Palm Oil (Malaysian)§	$307.5t	+2.5
Copra (Philippines)§	$330	
Soyabeans (US)	£180z	
Cotton "A" index	84.95c	
Wooltops (64s Super)	590p	-10

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Dec. w-Aug. z-Sep. u-Jun/Jul. x-Jul/Aug. t-Aug/Sep. v-Aug/Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Sep	16.62	16.73	16.75	16.57
Oct	16.71	16.77	16.81	16.64
Nov	16.70	16.85	16.80	16.70
IPE Index	16.67	16.61		

Turnover: 5869 (8878)

COCOA £/tonne

	Close	Previous	High/Low	
Jul	845	837	845	832
Sep	849	850	858	842
Dec	905	900	611	893
Mar	883	878	888	873
May	893	888	894	885
Jul	907	903	910	907
Sep	922	918	924	912

Turnover: 2843 (5003) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 27 1059.16 (1079.78) :10 day average for Jul 28 1080.40 (1077.15)

COFFEE £/tonne

	Close	Previous	High/Low	
Jul	770	784	779	765
Sep	762	779	774	759
Nov	773	786	784	771
Jan	794	808	802	790
Mar	816	830	822	812
May	840	852	845	837
Jul	862	877	870	862

Turnover: 3391 (3947) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 27: Comp. daily 72.23 (73.44). 15 day average 75.73 (76.43)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	322.60	323.00	326.00	317.00
Oct	324.60	324.40	329.80	312.00
Dec	312.40	323.00	310.00	
Mar	303.00	001.90	307.00	296.20
May	298.00	297.00	301.00	295.00
Aug	291.00	292.00	290.00	286.00
White	**Close**	**Previous**	**High/Low**	
Oct	424.50	422.50	425.50	416.00
Dec	384.50	381.50	382.00	378.00
Mar	370.50	367.50	370.00	363.50
May	367.50	364.00		
Aug	366.00	362.50		

Turnover: Raw 5837 (3916)lots of 50 tonnes. White 1520 (1842).
Paris- White (FFr per tonne): Oct 2794, Dec 2435, Mar 2355, May 2340, Aug 2330, Oct 2320.

GAS OIL $/tonne

	Close	Previous	High/Low	
Aug	147.00	148.00	148.00	146.50
Sep	148.50	147.50	147.75	146.25
Oct	148.00	148.00	149.00	147.00
Nov	149.25	149.75	149.75	148.75
Dec	150.25	151.75	150.75	150.00
Jan	148.25	140.00	149.50	

Turnover 6239 (6945)lots of 100 tonnes

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 14,125 tonne
Cash	1746-51	1750-1		1743-5		
3 months	1755-6	1755-6	1760/1745	1750-2	1752-5	31,891 lots
Copper, Grade A (£ per tonne)						Ring turnover 34,525 tonne
Cash	1563-4	1570-2	1586/1564	1584-6		
3 months	1543-4	1553-4	1561/1543	1550-0.5	1544-6	72,243 lots
Lead (£ per tonne)						Ring turnover 8,650 tonne
Cash	423-3.5	416-7	431/423	428-7		
3 months	412.5-3	406-6.25	417/408	414-5	412-3	6,709 lots
Nickel ($ per tonne)						Ring turnover 738 tonne
Cash	12800-900	12800-950	12800/12750	12775-800		
3 months	11925-75	11925-50	12000/11850	11850-900	11900-50	5,694 lots
Tin ($ per tonne)						Ring turnover 1,100 tonne
Cash	9540-70	9725-35		9630-5		
3 months	9540-60	9710-20	9700/9540	9620-5	9550-60	3,321 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,525 tonne
Cash	1650-8	1670-5	1665/1654	1654-5		
3 months	1584-5	1596-8	1600/1582	1585-6	1582-5	10,958 lots
Zinc ($ per tonne)						Ring turnover 3,300 tonne
Cash	1590-600	1605-10		1595-600		
3 months	1530-5	1540-5	1550/1528	1540-1	1530-40	7,823 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	131.0	128.8	131.0	129.0
Feb	149.0	150.0		
Apr	214.0	213.8	215.0	208.5
May	233.0	233.0	233.0	227.0

Turnover 488 (317) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Oct	132.00	139.00	138.50	138.00
Dec	136.50	137.00		

Turnover 25 (300)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jul	1389	1391	1388	
Aug	1433	1450	1453	1440
Oct	1540	1550	1546	1539
Jan	1583	1577	1570	1558
Apr	1598	1603	1605	1600
BFI	1389	1388		

Turnover 114 (450)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	106.00	105.95	106.00	105.70
Nov	109.85	109.65	109.85	109.45
Jan	113.50	113.45	113.55	113.20
Mar	115.85	118.75	116.85	116.50
May	120.10	119.95	120.10	120.00
Jun	122.00	121.75		

Barley	Close	Previous	High/Low	
Sep	103.85	103.75	103.85	103.75
Nov	107.55	107.40	107.55	107.40
Jan	110.88	110.70	110.80	
Mar	113.45	113.45		
May	115.45	115.40		

Turnover: Wheat 197 (248), Barley 41 (109).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	114.0	114.5	113.0
Oct	118.0	119.0	
Nov	119.5	119.5	

Turnover 5 (7) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	369½-370	224-224½
Opening	372-372½	224¾-225¼
Morning fix	371.95	224.472
Afternoon fix	369.70	223.925
Day's high	372½-373	
Day's low	369-369½	

Coins	$ price	£ equivalent
Mapleleaf	382-387	231½-234½
Britannia	382-387	231½-234½
US Eagle	382-387	231½-234½
Angel	381½-386½	231¼-234¼
Krugerrand	371-374	224¾-226¾
New Sov.	87-88	52¾-53½
Old Sov.	87-88	52¾-53½
Noble Plat	496.90-506.50	302.25-307.05

Silver fix	p/fine oz	US cts equiv
Spot	313.90	520.50
3 months	324.90	532.15
6 months	335.70	543.40
12 months	356.15	565.35

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1650	124	132	10	30
1750	56	74	41	69
1850	18	35	102	129
Copper (Grade A)	**Calls**		**Puts**	
2400	176	167	30	80
2500	111	117	64	137
2600	64	79	115	196

LONDON FOX TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
750	38	71	26	48
800	17	49	55	78
850	6	32	94	109
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
800	54		8	
850	22	83	24	30
900	6	56	58	53

US MARKETS

IN THE METALS, trading action was brisk as prices fell sharply in most markets, reports Drexel Burnham Lambert. Technical selling pushed the gold to a low of 36580 basis August. Silver prices sank to a 33 month low. Spillover selling from the gold and silver forced platinum and copper lower as well. In the softs, sugar trading was again choppy with a late day rally firming up the market. Origin selling dropped coffee prices. Cocoa trading was slow. The livestocks featured lower prices in the bellies as demand for fresh bellies is low. Live hogs were also down from spillover selling. Cattle futures had a mixed day. The grains were all soft as scattered position squaring eased prices. Energy futures were mixed after directionless activity.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	367.0	373.7	373.0	365.6
Sep	369.0	375.9	0	0
Oct	371.4	377.8	377.0	369.5
Dec	375.4	382.0	381.5	374.0
Feb	379.3	386.0	0	0
Apr	383.3	390.1	382.5	382.5
Jun	387.3	394.2	387.0	386.0
Aug	391.3	398.3	334.0	392.0
Oct	395.3	402.4	396.0	396.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	494.6	500.1	500.0	487.0
Jan	497.8	502.9	501.0	491.5
Apr	501.0	506.1	503.0	503.0
Jul	504.6	509.6	0	0
Oct	508.0	513.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	513.7	521.8	0	0
Sep	518.3	526.3	524.0	513.5
Dec	530.3	538.5	537.0	525.0
Jan	533.4	541.7	0	0
Mar	541.3	549.7	548.5	535.0
May	548.8	557.2	550.0	545.5
Jul	556.5	565.0	560.0	555.0
Sep	564.3	572.8	0	0
Dec	575.2	583.8	575.0	574.5

INDICES

REUTERS (Base: September 18 1931 = 100)

July 27	July 26	mnth ago	yr ago
1909.4	1923.1	1993.4	1880.8

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	130.93	130.47	132.90	130.25
Futures	129.07	129.42	131.57	133.25

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	110.50	112.70	110.20	110.20
Sep	109.40	112.20	112.00	109.00
Dec	106.00	108.20	107.90	106.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	18.02	18.12	18.28	18.00
Oct	17.93	18.02	18.22	17.92
Nov	17.95	18.00	16.20	17.92
Dec	17.95	18.03	18.24	17.92
Jan	17.88	18.00	18.14	17.88
Feb	17.88	17.98	18.15	17.87
Apr	17.94	17.99	18.15	17.93
May	17.85	17.96	16.07	17.86
Jun	18.08	17.98	18.08	18.08

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	4860	4926	4960	4850
Sep	4915	4982	5025	4900
Nov	5055	5110	5150	5040
Dec	5135	5180	5230	5115
Jan	5140	5195	5230	5140
Apr	4916	4720	4800	4720
May	4700	4620	4700	4620

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1290	1286	1298	1276
Dec	1309	1311	1315	1301
Mar	1318	1320	1326	1312
May	1328	1330	1334	1321
Sep	1368	1358	0	0
Jul	1347	1350	1339	1333
Dec	1388	1377	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	82.02	83.44	83.90	80.75
Dec	84.00	85.20	85.40	83.00
Mar	86.53	88.20	88.20	85.50
May	88.50	90.25	90.25	88.00
Jul	90.50	92.30	92.00	90.25
Sep	81.75	94.00	93.50	92.75
Dec	95.03	86.65	98.50	96.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	14.67	14.47	14.79	14.05
Jan	13.08	12.89	0	0
Mar	13.70	13.55	13.85	13.20
May	13.38	13.30	13.55	13.09
Jul	13.00	13.10	13.34	13.00
Oct	13.04	12.85	13.19	13.04

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	74.70	75.05	74.80	74.30
Dec	75.55	76.00	75.77	75.26
Mar	76.35	76.65	76.45	76.97
May	76.20	76.80	76.85	76.20
Jul	76.50	76.85	76.65	76.50
Oct	68.55	68.95	68.95	68.56
Dec	66.90	66.90	66.90	65.35

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	158.00	157.10	158.25	156.50
Nov	147.35	146.50	147.75	146.10
Jan	143.20	142.40	143.95	143.75
Mar	142.40	111.65	143.00	141.70
May	141.40	140.65	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	649/0	668/0	672/0	648/0
Sep	604/2	618/4	618/0	603/4
Nov	589/4	600/0	603/0	587/4
Jan	596/2	608/2	610/4	596/0
Mar	606/0	616/4	618/4	604/0
May	609/6	622/0	623/0	603/4
Jul	614/0	622/2	625/0	613/0
Aug	604/0	609/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	18.32	18.81	18.86	18.28
Sep	18.55	16.03	18.09	16.53
Oct	18.80	19.23	19.30	18.75
Dec	19.16	19.62	18.68	18.10
Jan	19.35	18.85	19.85	19.35
Mar	19.80	20.20	20.20	19.75
May	20.05	20.50	20.50	20.05
Jul	20.20	20.75	20.70	20.20

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	206.7	209.6	210.2	206.0
Sep	193.7	196.1	197.0	193.2
Oct	185.4	188.2	188.8	184.6
Dec	182.6	184.8	185.5	161.2
Jan	182.0	184.0	184.0	181.5
Mar	182.5	184.2	184.0	161.0
May	183.5	185.0	183.6	182.0
Jul	182.0	184.0	182.0	182.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	229/0	232/4	233/0	228/6
Dec	226/2	229/4	229/2	225/6
Mar	232/6	236/2	236/0	232/4
May	237/0	240/6	240/4	236/6
Jul	237/2	241/0	241/0	237/2
Sep	232/0	234/0	0	0
Dec	227/0	229/0	228/4	227/0
Dec	233/4	237/0	233/4	233/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	387/6	389/6	392/0	387/4
Dec	401/4	402/4	405/0	400/4
Mar	406/0	407/4	408/6	404/4
May	395/0	396/0	395/4	393/0
Jul	364/0	363/0	384/0	361/0
Sep	368/0	367/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	72.57	72.52	72.72	72.40
Sep	73.75	73.90	74.20	73.75
Oct	75.32	75.45	75.52	75.12
Dec	73.62	73.77	73.80	73.57
Feb	72.37	72.55	72.60	72.25
Apr	73.37	73.85	73.55	73.25
Jun	72.00	72.05	72.05	71.85
Aug	70.20	70.50	70.30	70.20

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	46.05	46.32	46.55	45.90
Oct	39.72	39.62	40.00	39.80
Dec	41.47	41.42	41.80	40.87
Feb	42.35	42.25	42.80	42.15
Apr	39.95	40.15	40.50	39.95
Jun	44.35	45.22	45.50	44.95
Jul	45.70	45.90	46.10	45.70
Aug	44.55	44.55	44.65	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	25.70	26.92	27.35	25.52
Feb	41.05	40.82	41.75	40.50
Mar	40.87	40.65	41.00	40.25
May	42.00	41.75	42.40	41.50
Aug	40.60	41.02	42.60	40.60

INTL. COMPANIES

Chrysler to cut 2,500 jobs in austerity drive

By Anatole Kaletsky in New York

CHRYSLER, the third largest US car manufacturer, is to cut its white-collar workforce by about 8 per cent, or 2,500 people, as part of a long-term programme of cost reductions.

Mr Lee Iacocca, the company's chairman, told a meeting of senior managers in Detroit on Thursday night that the cuts would be achieved largely through early retirements and voluntary redundancies by the end of this year.

Mr Iacocca stressed that the cost-cutting measures, which had been widely rumoured in Detroit, were not just a reaction to the sharp decline in Chrysler's sales and in the US car market generally this year. Chrysler's car and truck sales in the first six months were 10.5 per cent lower than a year earlier.

The company has been the biggest loser in a ferocious battle for the shrinking car market between Detroit's big three manufacturers and Japanese companies, which have continued to increase their US sales aggressively.

Total vehicle sales in the first six months of the year were 6.5 per cent lower than a year earlier. But while US manufacturers have announced plans to cut their car and truck output, Japanese makers are expected by year-end to have lifted US car production by 40 per cent.

When making the cost-cutting announcement, Mr Iacocca implied strongly that there was no end in sight to this competitive battle.

He suggested that Detroit might have been lulled into a false sense of security by the unexpectedly strong car market last year.

Lee Iacocca: enormous pressure on manufacturers

Chrysler cut white-collar staff by about 10 per cent in 1987, in the aftermath of the Wall Street crash. But the pace of staff reductions then slowed to about 3 per cent annually in 1988.

Yesterday's announcement seemed designed to refocus the management's attention on the need for continuing austerity. As an incentive to greater economy Mr Iacocca also announced a complex and potentially generous options-based savings scheme which would reward the company's 2,000 top managers if cost-reduction objectives were achieved.

He said: "The car and truck business in the US is undergoing a dramatic and permanent transformation that puts enormous pressures on all manufacturers.

"Recent sales have merely returned to normal trend projections, and we must take the necessary steps to ensure profitability."

Ford to pay $3.35bn for Paramount unit

By Anatole Kaletsky

PARAMOUNT Communications has agreed to sell Associates First Capital, its consumer financing subsidiary, to Ford Motor Company for $3.35bn in cash.

Mr Martin Davis, the US group's chairman, said the sale of Associates, which was put up for auction in April, would complete Paramount's "strategic development into a pure communications company with operations solely in the entertainment and publishing fields."

The price to be paid by Ford was at the top end of analysts' initial estimates of Associates' value, but was lower than the figure of $4bn rumoured on Wall Street in the past few days. Associates, which sells a wide range of consumer and commercial finance and insurance products, had gross revenues of $2bn and operating profits of $372m in its last fiscal year.

Until a few years ago Paramount was part of the far-flung Gulf + Western conglomerate put together in the 1960s and 1970s by Mr Charles Bluhdorn.

Mr Davis, who took over the company's management after Mr Bluhdorn's death in 1983, devoted himself to narrowing the company's focus by selling off numerous businesses and divisions.

This process culminated in April with a change in the company's name to Paramount and, a month later, with Mr Davis's failed bid to take over Time Inc.

For Ford the acquisition will provide a huge boost to its rapidly expanding financing activities. Like other car manufacturers around the world, Ford has been using its excess cash flow to diversify outside the highly cyclical automotive business.

Ford's management selected consumer finance as a promising direction for their diversification drive, in part because of the company's long-standing involvement in the auto financing business.

In the past five years Ford has become one of the biggest mortgage lenders in the country as well as a big provider of consumer banking services.

Oxdon Investments lifts Steinberg bid to C$1.3bn

By Robert Gibbens in Montreal

THE BATTLE for Steinberg, the Canadian retail and property group, is to continue following a raised offer from Oxdon Investments, the Toronto group led by Unicorp Canada.

Oxdon, which has made three bids for Steinberg since January 1988, increased its offer by nearly C$50m (US$42m). The new bid comprises an unchanged C$75 a share for the Steinberg voting stock and C$53 for each non-voting share, up C$3 from a previous offer. This brings the total to just over C$1.3bn.

Senior members of the Steinberg family hold 52 per cent of voting shares, or 87 per cent if all family holdings are included. Oxdon owns a small percentage. The non-voting stock is publicly held.

Last Friday Socanav, a transportation group headed by Mr Michel Gaucher, took up an option on the family's 52 per cent voting block at C$75 a share and said it was prepared to pay C$75 and C$51 a share for all voting and non-voting stock respectively. The total value would be about C$1.3bn.

Socanav's bid was backed by the Caisse de Depot, a Quebec pension fund manager, and the Quebec Government on the grounds that Steinberg's assets were mainly in Quebec and should be offered to companies there.

Steinberg's real estate subsidiary, with a value of about C$850m, would end up with the Caisse de Depot.

Socanav has until midnight on Monday to come up with its detailed offer to all Steinberg's holders. The family says it will tender to Oxdon if Socanav's bid is not made by the deadline.

Hong Kong transit group boosts first-half profits

By John Elliott in Hong Kong

HONG KONG'S heavily indebted Mass Transit Railway Corporation, which operates the colony's underground railway system, yesterday reported substantially improved results for the first six months of the year when operating profits before interest and finance charges rose 38 per cent to HK$505m (US$64.7m) from HK$365m in the same period last year.

The interest burden rose to HK$768m from HK$652m due to higher levels of interest rates, but the net loss for the period was slightly down at HK$160m from HK$172m. The total outstanding debt at the end of the first half was HK$17.61bn, about the same as the end-1988 figure.

Mr Roger Moss, finance director, said the results showed MTR was on course to wipe out its heavy debt burden by the end of the century.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Uncertainty surrounds dollar

THE DOLLAR finished on a firmer note in currency trading yesterday, but the increase was not regarded as the start of a new bullish trend; on the contrary, it was seen by some as an endorsement of the dollar's underlying weakness. Investors pushed the dollar higher by taking profits and squaring positions ahead of the week and month-end. However, there is little to suggest that the US Federal Reserve will reverse its decision to encourage easier monetary conditions, although some analysts regard the pace of the decline in US interest rates as being a little too fast.

US consumer spending in June was unchanged from May, compared with forecasts a 0.3 per cent increase, and coming close behind a smaller than expected increase in second quarter Gross National Product, underlined the market's perception that US rates are likely to remain soft.

The dollar closed at DM1.8870 from DM1.8690 and Y139.55 compared with Y138.85. It was also firmer in terms of the French franc at FFr6.3900 from FFr6.3500 and SFr1.6240 compared with FFr1.6075. On Bank of England figures, the dollar's exchange rate index rose to 69.8 from 69.1.

Sterling lost ground towards the close; its exchange rate index slipped to 93.2 from 93.4 at the opening and Thursday's close. Most of the pound's overall decline reflected its losses against a stronger dollar. Elsewhere it finished with marginal gains as investors continued to regard the pound as a good short-term investment, given the authorities' determination to bear down on inflation and reduce excessive economic growth.

The pound closed at $1.6450 from $1.6600 but rose against the D-Mark to DM3.1050 from DM3.1025 and SFr2.6725 from SFr2.6675. It was also higher against the French franc at FFr10.5150 from FFr10.5075 but fell in terms of the yen to Y229.50 from Y230.50.

The D-Mark fell below a significant support level at Y74.00, falling at the close in London to Y73.95 from Y74.28 on Thursday. Analysts now suggest that the D-Mark may fall as low as Y73.50 but expect it recover over the medium term, with major resistance at Y75.50. The West German unit was also weaker against the French franc, closing at FFr3.3865, down from FFr3.3870 on Thursday but still above support at FFr3.3835. Better than expected French trade figures helped to underpin the franc.

£ IN NEW YORK

July.28	Latest	Previous Close
£ Spot	1.6495-1.6505	1.6545-1.6555
1 month	0.66-0.65pm	0.69-0.68pm
3 months	1.95-1.92pm	2.07-2.04pm
12 months	7.40-7.30pm	7.20-7.05pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July.28	Previous
8.30 am	93.4	93.2
9.00 am	93.4	93.2
10.00 am	93.4	93.3
11.00 am	93.4	93.3
Noon	93.4	93.4
1.00 pm	93.4	93.5
2.00 pm	93.3	93.4
3.00 pm	93.3	93.3
4.00 pm	93.2	93.4

CURRENCY RATES

July.28	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.29364	1.49727
U.S Dollar	7	1.28305	1.10635
Canadian $	12.39	1.51772	1.31014
Austrian Sch.	5	16.8888	14.6171
Belgian Franc	7.75	50.2186	43.4960
Danish Krone	9½	9.33098	8.07578
Deutsche Mark	5.00	2.39879	2.07717
Neth. Guilder	6.08	2.70595	2.34302
French Franc	9½	8.12299	7.03415
Italian Lira	13½	1727.02	1494.40
Japanese Yen	3¼	178.857	154.114
Norway Krone	8	8.80557	7.61720
Spanish Peseta	-	150.562	130.217
Swedish Krona	9½	8.20061	7.08947
Swiss Franc	5.5	2.06571	1.78620
Greek Drach.	20½	207.656	179.593
Irish Punt	-	0.897932	0.778953

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for July 27

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

July.28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6405-1.6585	1.6445-1.6455	0.69-0.66cpm	4.92	2.08-2.04pm	5.01
Ireland†	1.4085-1.4240	1.4085-1.4095	0.10-0.05cpm	0.64	0.37-0.27pm	0.53
Canada	1.1820-1.1865	1.1845-1.1855	0.33-0.36cdis	-3.50	0.98-1.03dis	-3.40
Netherlands	2.1145-2.1350	2.1275-2.1285	0.32-0.30cpm	3.14	0.86-0.82pm	2.84
Belgium	39.25-39.55	39.45-39.55	2.50-1.00cpm	0.53	5.00-2.50pm	0.38
Denmark	7.29-7.35¼	7.33¼-7.33¾	0.10-0.35oredis	-0.37	0.60-1.00dis	-0.44
W.Germany	1.8740-1.8925	1.8865-1.8875	0.31-0.30pfpm	1.94	0.88-0.85pm	1.84
Portugal	156.85-157.85	157.75-157.05	60-80cdis	-5.35	255-285dis	-6.67
Spain	117.60-118.35	118.35-118.45	45-55cdis	-5.08	155-165dis	-5.42
Italy	1349-1359	1355¾-1356¼	4.00-4.50liredis	-3.76	12.00-13.00dis	-3.69
Norway	6.87¾-6.90½	6.90¾-6.91¼	1.15-1.40oredis	-2.22	4.10-4.40dis	-2.46
France	6.34¼-6.40¾	6.38¼-6.39¼	0.05-0.10cdis	-0.14	0.35-0.50dis	-0.27
Sweden	6.40-6.44	6.42-6.42½	1.50-1.65oredis	-2.95	4.75-5.00dis	-2.40
Japan	139.00-139.75	139.50-139.60	0.45-0.43ypm	3.79	1.20-1.18pm	3.42
Austria	13.20-13.26½	13.26¼-13.26¾	1.60-0.80gropm	1.09	4.20-2.50pm	1.01
Switzerland	1.6110-1.6275	1.6235-1.6245	0.26-0.23cpm	1.78	0.70-0.67pm	1.69
ECU	1.0980-1.1065	1.0980-1.0990	0.04-0.02cpm	0.33	0.16-0.13pm	0.53

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.55-39.65.

POUND SPOT- FORWARD AGAINST THE POUND

July.28	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6405-1.6585	1.6445-1.6455	0.69-0.66cpm	4.92	2.08-2.04pm	5.01
Canada	1.9470-1.9630	1.9470-1.9480	0.28-0.19cpm	1.45	0.88-0.74pm	1.66
Netherlands	3.49½-3.51¼	3.49½-3.50½	2-1⅞cpm	6.64	5⅞-5⅝pm	6.57
Belgium	64.75-65.25	64.90-65.00	32-27cpm	5.45	90-84pm	5.36
Denmark	12.05¼-12.10½	12.06¼-12.06¾	4⅞-4⅜orepm	4.60	14-13¼pm	4.50
Ireland	1.1640-1.1695	1.1640-1.1650	0.45-0.40ppm	4.38	1.20-1.10pm	3.95
W.Germany	3.10-3.13¼	3.10¼-3.10¾	1⅞-1¾pfpm	7.00	5⅜-5¼pm	6.76
Portugal	258.50-260.65	258.90-259.90	9-30cdis	-0.90	95-184dis	-2.15
Spain	194.10-195.40	194.10-194.40	3-7cdis	-0.31	16-37dis	-0.55
Italy	2229½-2240	2229½-2230½	4-1lirepm	1.35	10-7pm	1.52
Norway	11.36-11.42	11.36¼-11.37¼	2¾-2⅜orepm	2.71	7¼-6¾pm	2.46
France	10.50½-10.54	10.51-10.52	4½-4cpm	4.85	12¾-12pm	4.71
Sweden	10.56-10.62¼	10.56-10.57	1⅞-1⅝orepm	1.99	5⅛-4⅞pm	1.94
Japan	229-231¼	229-230	1⅝-1⅝ypm	8.82	4⅞-4⅝pm	8.28
Austria	21.78-21.91	21.88-21.91	12-10gropm	6.03	34-30pm	5.85
Switzerland	2.66¼-2.67¼	2.66¼-2.67¼	1⅝-1½cpm	7.58	4⅝-4¼pm	6.64
ECU	1.4825-1.4970	1.4960-1.4970	0.59-0.56cpm	4.61	1.73-1.68pm	4.56

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 65.10-65.20 Six-month forward dollar 4.01-3.96cpm 12 months 7.22-7.12cpm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July.28	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4960	+2.44	+1.06	±1.5424
Danish Krone	7.85212	8.07578	+2.85	+1.47	±1.6419
German D-Mark	2.05853	2.07717	+0.91	-0.47	±1.1019
French Franc	6.90403	7.03415	+1.88	+0.50	±1.3719
Dutch Guilder	2.31943	2.34302	+1.02	-0.36	±1.5019
Irish Punt	0.768411	0.778953	+1.37	-0.01	±1.6689
Italian Lira	1483.58	1494.40	+0.73	+0.02	±4.0815
Spanish Peseta	130.000	130.217	+0.17	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6450	1.6383	1.6244	1.6052	1.5733
D-mark	3.1050	3.0873	3.0522	3.0059	2.9275
French Fr.	10.515	10.473	10.389	10.184	10.107
Swiss Fr.	2.6725	2.6664	2.6282	2.5873	2.5174
Yen	229.50	227.84	224.70	220.45	213.30

MONEY MARKETS

Steadier tone

INTEREST RATES were barely changed in London yesterday as traders took a more relaxed stance ahead of the weekend. Three-month interbank money was quoted at 13⅞-13¾ per cent unchanged from Thursday. The tone of the market remains bullish, helped by sterling's recent strength, but there is little hope of an early reduction in bank base rates.

UK clearing bank base lending rate 14 per cent from May 24

The mild encouragement noted by some traders was reflected in the average rate of discount at the weekly Treasury bill tender which fell to 13.2363 per cent from 13.2762 per cent.

The Bank of England forecast a shortage of around £1,000m. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with repayment of any late assistance draining £629m. There was also a rise in the note circulation of £460m and banks brought forward balances £75m below target. These were partly offset by Exchequer transactions which added £160m.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FT GUIDE TO WORLD CURRENCIES

Every Tuesday in the FT

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Sep	2334.0	2336.0	2314.0	2312.0
Dec	2384.0	2379.0	2373.0	2357.0

Estimated volume 2785 (2296)
Previous day's open int. 19472 (19440)

LONDON TRADED OPTIONS

THE BOOM on the London Stock Exchange which yesterday saw the FT-SE 100 Index rise by 22.3 points on balance, to a new post crash high of 2,306.0, also saw sporadic activity in stocks on the London Traded Options Market. Lower interest rate expectations on Wall Street and a rise in Wall Street equity prices contributed to the gain in London share prices, as did a more optimistic view of the UK economic background.

The options market took this backcloth largely for granted, and pursued its own courses. British Steel was for the second day running the most heavily traded options stock, attracting 2,479 contracts, made up of 1,826 calls and 653 puts. The underlying price of the share was up 1p on the day, to 78p, while there was opening of interest on both call and put sides, the greater on the call, up 1,266 contracts to 21,780, and the lesser on the put, up 563 to 13,029. The October 70 call and put series attracted more attention than most, the calls finding 565 contracts and an opening of position of 550 to 3,302, and the puts 300 contracts and an opening of the same amount to 2,209. There were 300 contracts traded in the January 70 calls, bringing opening of interest of 279 contracts to 928.

Overall options turnover came to the modest total of 35,351 contracts, comprised of 25,657 calls and 9,694 puts. Options dealings in the Index amounted to 6,306 contracts, 5,133 calls and 1,173 puts, on a day when dealings in the September index on the London International Financial Futures Exchange showed a modest discount, by some recent standards, over fair value.

Cadbury Schweppes saw 2,035 contracts, and an underlying share price gain of 3p to 451, with the options business in it made up of 723 calls and 1,312 puts. The August 500 calls found 645 contracts, largely opening, the November 390 puts 500, with a slight opening of position, and the February 360 puts 800, and opening of the same amount.

Dealings in Barclays Bank caught the eye, in a rare appearance on the options market frame. The underlying share price was up 26p on the day to 509p, after the latest report from Lloyds Bank. Options in Barclays totalled 1,950 contracts.

WORLD STOCK MARKETS

INDICES

NEW YORK — DOW JONES

	July 27	July 26	July 25	July 24	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2635.43	2613.05	2583.08	2584.98	2635.43 (27/7)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	93.80	92.95	92.79	92.75	93.08 (27/7)	87.35 (23/3)	–	–
Transport	1266.18	1266.66	1253.07	1240.30	1266.66 (26/7)	959.95 (3/1)	1266.66 (26/7/89)	12.32 (8/7/32)
Utilities	217.93	217.18	215.42	215.92	217.93 (27/7)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2649.28 (2621.21) Low 2604.70 (2563.73)

STANDARD AND POOR'S	July 27	July 26	July 25	July 24	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	341.99	338.05	333.88	333.67	341.99 (27/7)	275.31 (3/1)	341.99 (27/7/89)	4.40 (1/6/32)
Industrials	391.07	387.31	382.20	382.38	391.87 (27/7)	318.66 (3/11)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	32.54	31.82	31.84	31.75	32.54 (27/7)	24.30 (3/1)	32.54 (27/7/89)	8.64 (1/10/74)
NYSE Composite	190.22	188.14	186.10	186.03	190.22 (27/7)	154.98 (3/1)	190.22 (27/7/89)	4.46 (25/4/42)
Amex Mkt. Value	375.35	372.78	370.12	369.82	375.35 (27/7)	305.24 (3/1)	375.35 (27/7/89)	29.31 (9/12/72)
NASDAQ OTC Comp	452.48	449.12	446.47	445.98	453.65 (9/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	July 21	July 14	July 7	year ago (approx.)
Dow Industrial Div. Yield	3.47	3.54	3.63	3.54

	July 26	July 19	July 12	year ago (approx.)
S & P Industrial div. yield	2.90	2.92	2.98	3.12
S & P Indl. P/E ratio	14.22	14.10	13.81	14.10

TRADING ACTIVITY — † Volume (Millions)

	July 27	July 26	July 25
New York	213.680	189.103	179.270
Amex	14.206	12.992	11.056
OTC	140.255	124.475	127.654

NEW YORK	July 27	July 26	July 25
Issues Traded	1982	1946	1969
Rises	1010	967	762
Falls	479	479	676
Unchanged	493	500	531
New Highs	255	141	135
New Lows	19	18	24

CANADA

TORONTO	July 27	July 26	July 25	July 24	1989 High	1989 Low
Metals & Minerals	3452.7	3415.9	3316.1	3292.7	3564.9 (6/2)	3207.5 (3/1)
Composite	3958.9	3935.3	3899.8	3893.9	3958.9 (27/7)	3350.5 (6/1)
MONTREAL Portfolio	2015.97	2000.43	1977.12	1971.72	2015.97 (27/7)	1677.40 (3/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Bristol Myers	4,551,300	49⅛	– 2⅛
Security Pac	4,167,700	51½	+ 1⅛
AT&T	3,759,700	40⅝	+ 1¼
Unisys	3,685,300	22⅛	+ 1⅜
Smithkline	3,589,400	42⅛	....
Squibb	3,455,100	112⅛	+ 24⅝
Upjohn	2,778,600	33	+ 1⅛
USX corp	2,680,200	31⅛	– 3¼
Canadian Pacific	2,488,900	22	+ ⅜
Lyondell	2,091,000	22⅛	– ½

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD INDICES

	July 28	July 27	July 26	July 25	1989 High	1989 Low
AUSTRALIA All Ordinaries (1/1/80)	1626.8	1628.2	1617.7	1606.5	1628.2 (27/7)	1412.9 (7/4)
All Mining (1/1/80)	765.1	763.1	756.0	749.9	765.1 (28/7)	652.6 (7/4)
AUSTRIA Credit Aktien (30/12/84)	359.77	358.53	358.22	354.90	366.67 (21/6)	219.5 (2/1)
BELGIUM Brussels SE (1/1/80)	6133.17	6106.37	6088.67	6070.04	6158.43 (13/6)	5519.30 (4/1)
DENMARK Copenhagen SE (3/1/83)	351.98	350.56	348.55	346.06	356.65 (12/7)	275.49 (27/2)
FINLAND Unitas General (1975)	778.0	779.1	777.5	777.8	815.8 (18/4)	723.3 (4/1)
FRANCE CAC General (31/12/82)	503.3	497.8	495.4	495.5	503.3 (28/7)	417.9 (4/1)
Ind. Tendance (30/12/88)	122.4	119.3	118.1	118.3	122.4 (28/7)	97.5 (27/2)
GERMANY FAZ Aktien (31/12/58)	639.79	643.52	645.59	637.75	645.59 (26/7)	535.78 (27/2)
Commerzbank (1/12/53)	1912.0	1923.7	1928.9	1903.9	1928.9 (26/7)	1595.7 (27/2)
DAX (30/12/87)	1553.27	1567.05	1568.52	1555.83	1568.52 (26/7)	1271.70 (23/2)
HONG KONG Hang Seng Bank (31/7/64)	2526.75	2493.71	2489.03	2517.02	3309.64 (15/5)	2093.61 (5/6)
ITALY Banca Com. Ital. (1972)	680.01	679.76	670.89	664.01	683.39 (17/7)	577.49 (28/2)
JAPAN Nikkei (16/5/49)	34705.63	34785.28	34515.83	34538.9	34785.28 (27/7)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2606.61	2605.48	2586.13	2584.07	2606.61 (28/7)	2366.91 (6/1)
NETHERLANDS CBS Ttl. Rtn. Gen. (End 1983)	256.7	257.4	256.0	256.4	257.4 (27/7)	208.3 (3/1)
CBS All Shr (End 1983)	199.8	200.4	199.2	199.6	200.4 (27/7)	166.7 (1/3)
NORWAY Oslo SE (2/1/83)	650.13	649.09	663.25	661.50	668.90 (14/7)	467.17 (2/1)
SINGAPORE Straits Times Ind. (30/12/66)	1370.14	1366.36	1370.35	1371.37	1371.37 (25/7)	1030.69 (4/1)
SOUTH AFRICA JSE Gold (28/9/78)	1601.0♦	1615.0	1584.0	1574.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2686.0♦	2693.0	2676.0	2679.0	2693.0 (27/7)	1961.0 (3/1)
SPAIN Madrid SE (30/12/85)	302.23	300.78	301.74	302.31	315.90 (13/6)	268.61 (1/3)
SWEDEN Jacobson & P. (31/12/56)	4435.8	4426.9	4419.1	4404.3	4435.8 (28/7)	3333.9 (3/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	775.3	766.1	766.1	763.2	775.3 (28/7)	613.1 (3/1)
WORLD M.S. Capital Intl. (1/1/70)	(u)	540.6	532.9	526.3	540.6 (27/7)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500: (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Consolidation leaves equities little changed

Wall Street

A WIDELY expected consolidation after the record-breaking gains of the previous two days left equity prices little changed on Wall Street, but bonds soared to their best levels in more than two years, *writes Anatole Kaletsky in New York.*

The Dow Jones Industrial Average at 1.30 pm was 4.18 up at 2,639.61 and the Standard & Poor's 500 index was 0.92 ahead at a record high of 342.91.

Trading was moderate with some 125m shares changing hands on the New York Stock Exchange, where advancing shares remained in close balance with those that declined.

The day started on a weak note as professionals took profits after the 80-point gain in the Dow over the previous two days. But lower prices attracted some institutional and individual buyers and the stock market gained further support from an unexpected rise in bond prices.

The bond market was cheered by news that personal income rose 0.3 per cent in June and personal consumption expenditure was unchanged. The statistics were weaker than expected; most analysts had forecast increases of 0.3 to 0.4 per cent in both figures.

The Treasury's benchmark long-bond advanced by ⅞ to 110⅛, a level at which it yielded 7.97 per cent. With interest rates down across the maturity spectrum, investors were optimistic that the psychologically important 8 per cent barrier on the long bond yield might finally be decisively breached.

An easy tone in the money market, where Federal Funds traded throughout the day at 8¾ to 8⅞ per cent, also encouraged the bullish sentiment among bond investors.

Not surprisingly, interest-rate sensitive and financial stocks were among the day's biggest winners.

Chase Manhattan and Merrill Lynch were the two most active stocks. Chase advanced $⅜ to $39⅛, in part reflecting hopes that other big banks would soon follow its lead and cut their prime interest rates.

Merrill rose $⅜ to $34⅝ on exceptionally heavy trading of 2.4m shares. Merrill is not usually one of Wall Street's active issues, with trading on a typical day rarely exceeding 100,000 shares.

Other brokerage stocks also did well, with Salomon up $⅜ at $26⅞ and Shearson Lehman Hutton $⅜ higher at $22⅝.

By contrast, the blue chip growth companies which have led the market's advance this year were mostly weaker as traders decided to realise some of their huge profits in these stocks.

Philip Morris fell $1⅛ to $155⅝ and AT&T declined $⅜ to $40⅞.

Pharmaceuticals also gave back some of their recent big gains. Squibb declined $2 to $118⅛ and Bristol-Myers fell $1⅛ to $48⅛. However, potential takeover candidates in this sector continued to rise. The busiest was Upjohn, which advanced $1⅞ to $34⅝.

Car manufacturers all fell after the employment cutbacks announced by Chrysler after the market closed on Thursday. Chrysler was $⅞ down at $24.

The technology sector remained weak. Sun Microsystems was the most prominent loser, declining $1⅞ to $14⅞, after announcing that its loss this quarter would be in the range of $20m to $26m.

Canada

THE IMPORTANT 3,970 resistance level was breached as Toronto stocks pushed ahead in heavy trading.

The composite index rose 16.4 to 3,975.3, although declines edged out advances by 239 to 226 on volume of 18m shares.

SOUTH AFRICA

THE weaker bullion price saw gold shares close lower in thin trading. Randfontein dropped R2 to R198 while Hartebeest gave up R1.35 to R29.

Hong Kong takes a realistic view of property blow

John Elliott explains why the market has regained some stability and optimism in spite of the odds

HONG Kong has learned how to make the best of bad news in the last few weeks since the events in Peking's Tiananmen Square rocked confidence in the colony, which returns to Chinese sovereignty in 1997.

The pragmatism has been amply demonstrated this week as the financial community's leading expatriate executives have shrugged off what in normal times would have been regarded as a market-shattering disaster, and have continued to pack their bags for annual holidays in Europe, Australia and the US.

The news was an auction for the last vacant prime development site in the central financial district which went for HK$2.7bn (US$348m), far below figures of HK$4bn or more which were being talked about two or three months ago. It was even below the HK$3bn which 10 days ago was being regarded as the break point between success and failure.

But Hong Kong's realism has come to the fore, partly helped by the belief that the colony's over-heated property boom earlier this year had to be punctured some time. Bankers and analysts are expressing relief that as many as five tenders were submitted for the site. They say they are also pleased that the winning price sets a base, albeit 20 to 30 per cent below pre-Tiananmen Square levels, from which negotiations for new deals can start after two months of uncertainty.

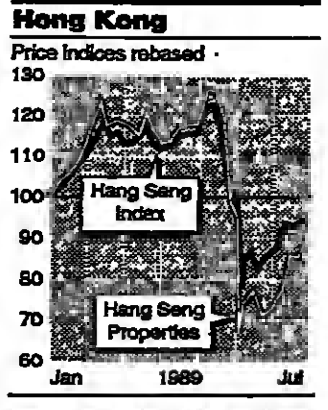
As a result, the stock market has looked somewhat more optimistic and the holiday-makers are looking forward to business picking up a little later in the year, even though analysts are lowering their economic (GDP) growth forecasts.

Predictions for growth this year have dropped from 6-6½ per cent to 4½-5 per cent, with 2½-4 per cent being suggested for next year. The figure last year was 7.4 per cent. But the Government has an estimated HK$60bn in accumulated reserves and is expected to use some of these funds to speed up infrastructure projects that would pump prime the economy late next year and in 1991.

Shares have risen a little in the past couple of days, with the Hang Seng index closing yesterday at 2,526.75, up 33.04 points on the day and 1.2 per cent on the week. But turnover has stayed low, producing such totals as Thursday's HK$650m and HK$1.1m yesterday.

"The volatility has stabilised," says Mr Francis Yuen, the chief executive of the stock exchange. "What we need now is some encouragement in the next few weeks, like some good company results, and then the market might break through the 2,600 barrier with increased turnover. Otherwise the stabilising will continue without big turnovers."

The importance of the property auction goes beyond this week, because there has been continuing uncertainty since the events in China. Businessmen, analysts and speculators have been worried that confidence might decline further, taking the opinion-forming property market with it.



Hong Kong has always been vulnerable to China-induced jitters and this becomes worse as 1997 approaches. A study by Baring Securities shows that the market fell in 1976 by 8 per cent and then by 13 per cent when first Zhou en Lai and then Mao Tse-tung died. In 1983 the index fell 37 per cent in three months as the 1997 hand-over became a reality.

Since those days, Hong Kong has become more international and even more 1997-sensitive. From a high of 3,309.64 on May 15, the Hang Seng index plunged more than 36 per cent to 2,093.61 on June 5, the day after the Tiananmen Square clampdown. Since then, it has climbed to around its present 2,500 level.

The fall was led by property shares which had fuelled a sharp recovery in the market earlier in the year. Prominent stocks such as Sun Hung Kai, New World and Henderson Land fell by as much as 50 per cent from their peak, but they have generally recovered about half of that loss and yesterday the property sub-index climbed 2.8 per cent as investors switched from utility stocks.

Property shares are still trading at substantial discounts to net asset values and this week's auction, along with some other property sales, shows that property prices have dropped only to their levels of a year ago.

Dr K.S. Lo, who runs the Great Eagle property and construction company that controls the winning consortium for the prime site, knows he has a bargain. Total land purchase and construction costs will top HK$5bn by the time it is completed in 1993.

Property experts estimate that top class offices on this site would fetch about HK$55 a sq ft of floor area now. Dr Lo said yesterday that, even if that figure dropped to an improbably low HK$30, he would still achieve a 10 per cent yield with interest rates at their present level of 10-11 per cent. At HK$45, he would yield 15 per cent.

"Where else could I make such a return? In Manhattan or London you can only get a 6 per cent yield. I am very happy."

It is that sort of optimism — that bargains can still be struck and that there is time for another investment cycle to yield profits before 1997 — which is allowing people to begin to talk themselves pragmatically out of some of their Tiananmen Square gloom.

Analysts are also encouraged by the fact that industry in the southern Chinese province of Guangdong has not been hit, although China's economic problems are one of the factors leading to the lower economic growth forecasts.

At present low price levels, some family-controlled companies might be tempted to buy out their public shareholdings. There is also speculation that some Hong Kong quoted companies with internationally known names such as Dickson Concepts and Video Tech are considering buying out their shares in Hong Kong and then floating them on some more buoyant exchange elsewhere.

Such moves would be a setback for Hong Kong's ambitions to be recognised as an internationally important financial centre. But the events in China have put a big question mark over that ambition.

Because of the volatility of China's politics, there is no sign of a resurgence of long-term confidence in Hong Kong. In the past few days, however, a little of the normal buoyancy has re-emerged.

EUROPE

CAC index breaks key barrier as Paris strides ahead

FRENCH stocks stole the show as the West German market continued to consolidate. Peaks were also reached in Zurich and Stockholm, *writes Our Markets Staff.*

PARIS celebrated the approach of the big August holiday weekend with a second day of strong gains.

Expectations of further US prime rate cuts, together with better domestic trade figures for June, underpinned the bourse's strength, but the sudden interest after several weeks of subdued volume was based mainly on strong fundamentals and a catching up process, observers said.

"People have ignored the French market because it's been plodding, but what they haven't realised is that it's been plodding steadily upwards," said one dealer.

Interest was predominantly from domestic investors, aware of the huge potential for restructuring and takeovers in the run-up to 1992.

The buying was not confined to locals, however. Foreigners who considered German shares to be approaching risky territory were putting new cash into France, said a salesman.

Volume was estimated at FFr2.5bn. The CAC General index breached the 500 barrier for the first time; the index, based on opening prices, gained 5.5 to 503.3.

The OMF 50 index was up 2.4 at 513.90, a rise of 2 per cent on the week. The gains came in spite of a bourse strike which hit open outcry trading.

Chargeurs, the textile and air transport group, featured with a FFr10 rise to FFr1,165 as a heavy 480,000 shares amounting to about 7 per cent of the equity capital changed hands. There were two block deals and speculation that Club Med might be building a stake. Chargeurs announced later that its airline, UTA, was talking to Club Med about a possible joint venture involving its charter subsidiary.

ZURICH rose to a year's high on good volume. The Crédit Suisse index added 3.3 to 642.1, up 1.6 per cent this week.

Nestlé, which announced an expected rise in first-half sales of 35 per cent on Thursday, saw its bearers gain SFr240 to SFr8,300 and its registered shares advance by SFr395 to SFr7,980. Turnover in the stock was very heavy, with a total of between 6,000 and 8,000 shares traded, compared with 2,300 last Friday.

One saleswoman said that brand names were increasingly being taken into account when valuing a company and that this was being reflected in Nestlé's share price.

Among chemical issues, which had lost ground earlier in the week, Hoffmann-La Roche bearers surged SFr2,500, or 6.7 per cent, to SFr40,000.

FRANKFURT fell again, although there was no heavy selling pressure. Some observers feel that the market is looking rather tired, while others believe declines over the last two days mark a mere break before the next surge upwards.

The DAX index lost 13.78 to 1,553.27 and the FAZ eased 3.73 to 639.79, a rise over the week of 1.5 per cent. Turnover was moderate at DM4.6bn.

The chemical sector continued to fall, with BASF easing DM3.40 to DM284.80. A big sell order in Veba, the utility, left the stock DM6 lower at DM319. Commerzbank, which reported flat first-half figures on Thursday, lost DM6 to DM266.

MADRID picked up on the final day of trading before Spain's "Big Bang" reforms are introduced. The general index rose 1.43 to 302.23 — little changed on the week — helped by gains in the heavily weighted banking sector.

Turnover was estimated at $70m, up from Thursday's $62m. One analyst said domestic institutions had probably been supporting stocks before the trading reforms. BBV bank rose 20 points to 1,045 per cent of par after its 25 per cent rise in first half profits.

MILAN was little changed in moderate volume as investors squared positions in anticipation of the summer holiday season.

Insurance issues strengthened, with Generali up L100 at L45,000 and Fondiaria rising L440 to L59,940. The Comit index picked up 0.25 to 680.01, taking its gain over the week to 0.4 per cent.

AMSTERDAM saw interest continue in chemicals. The rest of the market eased, with the CBS all-share index off 0.6 at 199.8 — steady on the week — after hitting an all-time high of 200.4 on Thursday.

BRUSSELS closed the week quietly, but on a positive note. The cash market index rose by 26.60 points to 6,133.17.

STOCKHOLM climbed to its fifth consecutive all-time high. More investment professionals are getting back to work towards the end of Sweden's holiday season and another season — of company results — begins on August 10.

The Affärsvärlden General index rose 1.7 per cent to 1,307.6 on the day for a gain of 2.2 per cent on the week.

ASIA PACIFIC

Nikkei advance halted by profit-taking

Tokyo

INVESTORS in Tokyo opted to take profits before the weekend as concern over the rapid rise in share prices took precedence over a desire to sustain the market's nptrend, *writes Michiyo Nakamoto in Tokyo.*

A strong performance on Wall Street overnight kept up the bullish spirit and the Nikkei breached its record high posted on Thursday in morning trading. Profit-taking, however, undermined earlier gains and the Nikkei closed down 79.65 at 34,705.63.

The day's high of 34,945.56 brought the index closer to the 35,000 level. Advances just outnumbered declines by 478 to 392 while 223 issues were unchanged.

Turnover retreated to 877m shares from the 1.39bn traded on Thursday. The Topix index of all listed shares gained a modest 1.13 to 2,606.61; in London trading the ISE/Nikkei 50 index rose 3.23 to 2,071.38.

Mr John Courtney of W I Carr said the market was "tired" after a strong week of trading. During the week volume had recovered strongly, surpassing the 1bn level for three days out of five, and the Nikkei average rose by over 800 points.

Many investors had been eager to get back into the market, after being more or less absent for two months. The yen strengthened against the dollar and interest rates seemed set on a downward course as the US economy slowed down. The Japanese economy, for its part, was as strong as ever, he said.

But yesterday's moderate loss and downturn in volume was a clear sign that "there is still a nagging doubt in people's minds," said Mr Courtney. Politically, the future was uncertain. The slowing of the economy might be good for interest rates, but could eventually have a negative impact on worldwide growth, he added.

To add to investors' difficulties, there has been no strong issue to give the market direction. Interest in stocks that are sensitive to interest rate fluctuations shifted to large capitalisation steels. Sumitomo Bank lost Y100 to Y3,630 while Nippon Steel gained Y7 to Y872 and Kawasaki Steel rose Y4 to Y350. Nippon Steel topped the most actives list with 39.4m shares while Kawasaki was third with 19.9m shares.

Housing shares were mixed, after being in the limelight on expectations that the Socialist Party's popularity would lead other parties to devise plans to improve housing. Ohbayashi suffered profit-taking closing down Y50 at Y1,910. Sekisui Chemical, which has 50 per cent of its sales in housing, advanced Y40 to Y1,730 — it was second most actively traded with 32.2m shares.

Trading was mixed in Osaka but the OSE average finished up 98.67 at 34,092.20. Volume slipped to 93m shares from 141m on Thursday. Life Stores, a medium-sized supermarket operator, rose Y170 to Y2,350; the president of Life Stores is said to be advising his counterpart at Shuwa, a property company that has emerged as the largest shareholder in three supermarket chains.

Roundup

OPTIONS activity inflated equity turnover in Australia, but price movements there and in Singapore were limited.

AUSTRALIA took a breather after a good week, although options-related activity pumped up turnover to huge levels. Volume reached 210m shares worth A$703m, of which A$335m was accounted for by unwinding of options positions. Profit-taking left the All Ordinaries index 1.4 lower at 1,626.8 — a rise over the week of 1.5 per cent.

NEW ZEALAND made little reaction to the previous day's budget. The market began firmly, but came off in response to weakness in Australia. Shares closed steady, with the Barclays index up 0.89 at 1,978.97.

SINGAPORE edged higher in moderate trading, as bargain-hunting outweighed profit-taking. The Straits Times Industrial index gained 3.78 to 1,370.14 — 0.6 per cent up on the previous Friday's close.

MANILA advanced in an active session, following the arrest of Mr Satur Ocampo, a communist leader. The Government's efforts to delay fuel price increases until the end of the year provided further encouragement. The composite index jumped 49.57, or 4.3 per cent, to 1,198.02.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY JULY 27 1989						WEDNESDAY JULY 26 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	142.23	+1.4	127.03	124.92	+1.0	4.75	140.25	126.02	123.74	157.12	128.28	146.39
Austria (19)	128.06	+0.4	114.38	124.71	+0.2	1.95	127.60	114.66	124.47	128.06	92.84	86.14
Belgium (63)	133.76	+0.6	119.47	129.48	+0.2	4.22	133.00	119.51	129.23	137.10	125.56	114.01
Canada (124)	149.29	+0.9	133.34	127.94	+0.7	3.15	147.94	132.93	127.11	149.29	124.67	123.63
Denmark (38)	214.91	+0.9	191.94	212.43	+0.5	1.48	213.05	191.43	211.39	219.89	165.35	127.78
Finland (26)	143.91	+1.2	128.53	127.21	+0.7	2.14	142.18	127.75	126.37	159.16	125.81	129.69
France (127)	130.91	+1.8	116.92	129.98	+1.5	2.92	128.57	115.53	128.02	130.91	112.57	91.90
West Germany (100)	97.66	+0.0	87.22	94.89	−0.3	2.15	97.69	87.77	95.17	97.69	79.56	74.29
Hong Kong (49)	104.23	+0.3	93.09	104.44	+0.3	5.14	103.86	93.32	104.09	140.33	86.41	108.17
Ireland (17)	156.99	+2.2	140.21	155.18	+2.0	2.70	153.66	138.09	152.17	156.99	125.00	138.22
Italy (97)	93.00	+1.8	83.06	93.42	+1.5	2.40	91.40	82.12	92.08	93.00	74.97	72.34
Japan (455)	189.19	+2.0	168.97	166.05	+0.8	0.46	185.49	166.67	164.79	200.11	164.22	165.77
Malaysia (36)	188.22	+0.2	168.10	192.96	−0.1	2.49	187.89	168.82	193.17	190.26	143.35	151.29
Mexico (13)	270.15	+0.5	241.28	747.29	+0.6	0.67	268.82	241.55	743.03	277.40	158.32	157.46
Netherland (43)	128.58	+0.9	114.84	123.68	+0.6	4.19	127.44	114.51	122.94	128.58	110.63	104.70
New Zealand (21)	68.80	+1.2	61.45	62.46	+1.1	5.95	68.01	61.11	61.79	78.02	62.64	80.70
Norway (25)	184.20	−3.1	164.62	171.58	−3.6	1.50	190.05	170.77	178.06	198.39	139.92	121.99
Singapore (26)	187.57	+0.1	149.66	151.00	−0.1	1.88	167.48	150.49	151.12	169.33	124.57	130.26
South Africa (60)	148.59	+1.3	132.71	134.78	+1.3	3.59	146.64	131.76	133.01	153.27	115.35	120.65
Spain (43)	153.31	+0.4	136.93	136.47	+0.1	3.77	152.75	137.25	138.38	156.17	143.14	146.92
Sweden (35)	183.02	+0.6	163.48	173.20	+0.2	1.98	181.88	163.41	172.84	183.02	138.45	118.54
Switzerland (64)	89.54	+1.1	79.97	89.23	+0.7	2.15	88.59	79.60	88.59	89.54	67.81	77.56
United Kingdom (312)	156.71	+1.4	139.96	139.96	+0.6	4.13	154.58	138.90	138.90	156.71	133.28	132.57
USA (552)	139.10	+1.2	124.23	139.10	+1.2	3.28	137.49	123.54	137.49	139.10	112.13	108.50
Europe (1007)	130.18	+1.1	116.26	121.77	+0.7	3.38	128.77	115.70	120.98	130.18	112.68	105.22
Nordic (122)	174.62	+0.4	155.95	161.13	+0.0	1.78	173.94	156.29	161.20	174.62	137.95	118.90
Pacific Basin (672)	184.19	+1.9	164.50	162.14	+0.8	0.70	180.68	162.35	160.92	194.72	160.44	162.72
Euro-Pacific (1679)	162.69	+1.7	145.30	145.95	+0.7	1.57	160.03	143.79	144.90	164.22	141.56	139.73
North America (676)	139.61	+1.2	124.69	138.41	+1.1	3.25	138.01	124.01	136.85	139.61	112.79	109.30
Europe Ex. UK (695)	113.45	+0.9	101.33	110.55	+0.6	2.77	112.46	101.05	109.91	113.45	96.30	88.25
Pacific Ex. Japan (217)	124.36	+0.9	111.06	113.38	+0.7	4.61	123.19	110.69	112.63	137.65	111.93	126.09
World Ex. US (1876)	162.15	+1.6	144.82	145.46	+0.7	1.84	159.54	143.36	144.41	162.77	141.49	139.00
World Ex. UK (2116)	152.47	+1.5	136.18	143.60	+0.9	1.96	150.23	134.98	142.35	152.47	136.96	126.68
World Ex. So. Af. (2368)	152.87	+1.5	136.53	143.30	+0.9	2.16	150.63	135.35	142.07	152.87	136.67	127.22
World Ex. Japan (1973)	135.67	+1.1	121.17	131.64	+0.9	3.35	134.15	120.54	130.41	135.67	114.51	108.69
The World Index (2428)	152.84	+1.5	136.50	143.24	+0.9	2.16	150.60	135.32	142.00	152.84	136.68	127.18

Latest prices were unavailable for this edition.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the *Stock Exchange Talisman system*, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

Corporation and County Stocks No. of bargains included 1

Greater London Council6¾% Stk 90/92 – £87½ 6½ (26Jy89)

Leeds(City of)13½% Red Stk 2005 – £122 (25Jy89)

Merton(London Borough of)11¾% Red Stk 2017 – £103 (25Jy89)

Sunderland(Borough of) 11½% Red Stk 2008 – £108 (25Jy89)

Local Authority 11½% Bds 23/8/89 – £99.7 (21Jy89)

UK Public Boards

Foreign Stocks, Bonds, etc–(coupons payable in London)

Sterling Issues by Overseas Borrowers

Banks and Discount Companies

Barclays Bank PLC7¾% Uns Cap Ln Stk 86/91 – £89½

8¼% Uns Cap Ln Stk 88/93 – £87½ 8 ¼ 9 ½

12% Uns Cap Ln Stk 2010 – £107¾ 8¾

16% Uns Cap Ln Stk 2002/07 – £131 2 (24Jy89)

Barings PLC8% Cum 1st Prf £1 – 67 8½ (25Jy89)

8% Cum 2nd Prf £1 – 88

Commerzbank Ag Cdbr(las Warburg) DM10 – £16¼ (25Jy89)

Espirito Santo Financial Hldg S.A.$10 – $30½ (25Jy89)

Hambros PLC7.5% Cum Cnv Red Prf £1 –

Breweries and Distilleries

Registered Housing Associations

Commercial, Industrial, etc

Financial Trusts, Land, etc

Unit Trusts

Mines – Miscellaneous

Mines – South African

Oil

Property

Plantations

Insurance

Investment Trusts

Railways

Shipping

Utilities

Water Works

USM Appendix

Yelverton Investments PLC8% Cnv Uns Ln Stk 1997 – £82 (26Jy89)

York Trust Group PLC Red Cum Cnv Prf 20p – 86 (26Jy89)

The Third Market Appendix

No. of bargains included 161

Beckenham Group PLC Warrants to sub for Ord – 39 (24Jy89)

5% Red Cum Prf £1 – 98½ (21Jy89)

Rule 535(2)

RULE 535 (4) (a)

Selangor Coconuts 40♦ (25/7)

Singapore Land S$13.55 (25/7)

Strategic Minerals Corp A$0.53 (25/7)

Third Canadian Gen Inv Tst C$45.625 £23.625 (21/7)

United Overseas Land 77.80♦ (26/7)

Westfield Minerals C$1.24 (26/7)

Wooltru Ord £3.45♦ (21/7)

Wooltru Class 'A' £3.45♦ (21/7)

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

FT-SE regains its pre-Crash levels

THE LONDON stock market finally broke through the Footsie 2,300 mark yesterday to levels not seen since before the market crash of October 1987. The gain of more than 22 points in the index was supported by significant, if somewhat selective, demand from European, US and Japanese institutional investors. The closing level of 2306.0 on the FT-SE Index was the highest seen since October 15 1987, when it closed at 2,301.9 in the last trading session before the slump in world equity markets sent London plunging by 500 FT-SE points.

Equity turnover increased sharply, boosted by heavy overseas interest in British Steel (29m shares traded), British Gas (10m) and Lloyds Bank (7.1m). Domestic interest focussed around the banking sector after the interim report from Lloyds disclosed substantial provisions against LDC debts. However, ICI, the most influential of the domestic blue chips, weakened in further response to the interim trading report.

The market opened firmly but made most of its progress in the second half of the session, although Wall Street moved only sluggishly in early trading. London analysts now take a bullish view of the outlook for the New York market against the background of a possible easing in Federal Reserve credit policy and the implications of the planned $25bn merger in the US pharmaceutical industry.

However, some UK analysts remained slightly cautious about the latest upswing in the London market and some pointed to FT-SE 2,350 as a sensitive point for the market because of the nervousness over possible recessionary pressures on the domestic economy later in the year.

There was a speculative flavour in some of yesterday's activity. British Steel, driven up sharply at first by Japanese buying, closed off the top as UK holders turned sellers. Pharmaceutical issues continued to respond to the news of developments in the US industry, although analysts remained undecided on the logic of similar moves on this side of the Atlantic. Thorn EMI attracted strong speculative interest.

Seaq trading volume jumped to 585.7m shares from Thursday's 454.5m, with the total boosted in the final two hours of trading as the equity market moved into the new equity trading Account. The FT-SE Index showed a final gain of 22.3 points yesterday to record a net increase of 32.3 over the two week Account. The UK market has benefited from the renewed strength of the New York equity market but has also been encouraged by the firmness of the pound in the wake of the UK trade figures for June, a trend encouraging hopes that domestic interest rates may have peaked at the current 14 per cent base rates.

Account Dealing Dates

*First Dealings:	Jul 17	Jul 31	Aug 14
Option Declarations:	Jul 27	Aug 10	Aug 31
Last Dealings:	Jul 28	Aug 11	Sep 1
Account Day:	Aug 7	Aug 21	Sep 11

*New time dealings may take place from 9.00 am two business days earlier

Lloyds' report pleases

The first of the batch of interim results from the big four clearing banks, those of Lloyds, showed the bank had made profits at the very top end of market expectations and triggered an outstanding performance from Lloyds' shares.

Lloyds' pre-tax and LDC debt provisioning profits came out at £557m, compared with a comparable figure of £267 for the same period last year, and market expectations that had ranged from as low as £460m and as high as £560m. The interim dividend showed a 16 per cent rise, up to the best of market forecasts.

Mr Robert Law of Shearson Lehman Hutton said the results from the bank's core businesses were even better than the overall figures showed, because of results well below expectations from Lloyds Abbey Life, where Lloyds has a 57 per cent stake.

The £410m worth of LDC provisioning announced by Lloyds was something of a surprise, according to analysts; they said these would represent the majority of provisions for the year and would take them up to 47 per cent of exposure. Mr Law said Lloyds shares represented "the best value of the big-four."

Mr Mike Fesemeyer, banks analyst at Japanese securities house Daiwa, said Lloyds, "is a good long-term bet, although much more of a roller-coaster ride than say, NatWest; the rest of the banks will be hard pressed to match Lloyds' 16 per cent interim dividend increase." Lloyds eventually closed 13 higher at 357p on turnover of 7.1m shares.

Thorn talk

Another series of stories, some resurrected and some new, but all said by the company to be unsubstantiated, drove Thorn EMI shares to a 1989 high point. At the close Thorn were 44 higher at 840p on turnover of 2.4m. The level of turnover was considerably higher than usual, according to dealers.

Of the many stories circulating in the market from the outset, the most commonly reported was that Bertelsmann, the West German group, was about to acquire Thorn's music publishing business. This story first emerged a couple of months ago, and has been repeated in the Press on several occasions since.

Also mentioned yesterday were suggestions that a leveraged buy out of Thorn could be on the cards. Furthermore, dealers spoke of the forthcoming disposal of the company's electronics and Kenwood divisions, and of the shares being "a storming chart buy and a classic break-up situation."

Mr Colin Woodley, head of corporate communications at Thorn, said there was "nothing to substantiate" the stories about a leveraged buy-out, or a Bertelsmann bid for the music businesses. "We are mystified by this; the Bertelsmann story has been the primary runner but there have been others, we are told," said Mr Woodley. "But we have expected this sort of thing in the backwash from the BAT bid and at least our share price is getting to what we think it is worth," he added.

US chase Reuters

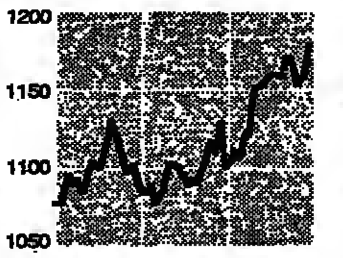
Another heavy trading session in Reuters shares in New York, where turnover at mid-morning had already exceeded the total in London, confirmed that it was US buyers who have been chasing stock in the global business communications group. Once again the share price, having hung fire in the early part of the day, rose sharply as New York opened, to bring a London closing price of 842p, a further 12 gain. Turnover in London ended at a somewhat unexciting 566,000 shares.

In the London office of Merrill Lynch, Mr Neil Barton commented that the gains of the past two days seem to reflect a more optimistic response to Reuters' trading statement from US analysts than from the London team. American investors were prepared to take a positive line over reports that Reuters has achieved sales success in Japan.

At Nomura Securities in London, Mr Martin Marbutt said this week's buying of Reuters, "has not come from us." Nevertheless, he told clients this week that Reuters' interim figures were ahead of expectations, "both of the company and analysts."

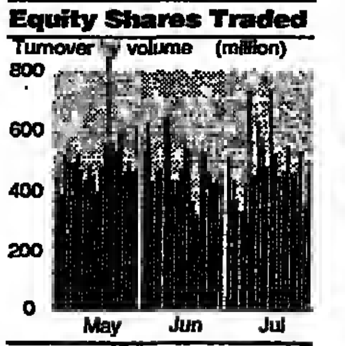
Lloyds' figures set the scene for an across the board advance by the clearing banks. One analyst said "the number have galvanised the whole sector which has been languishing at an all-time relative low; there is no downside – we are looking at stocks standing at ridiculously low levels."

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



The next figures are due from NatWest on Tuesday, followed by Barclays on Wednesday and Midland on Thursday. Hoare Govett is forecasting pre-tax profits of £715m against £702m for NatWest, £700m against £642m for Barclays and £396m against £313m for Midland. Barclays shares leapt 25 to 509p on 3.7m, NatWest 14 to 326p on 4.5m and Midland 12 to 354p on 1.9m.

Morgan Grenfell, the merchant bank continued to improve, as bid speculation drove the stock up 5 more to 320p.

General Accident featured in the composite insurances, advancing 11 top 1000p after a buy recommendation issued by Mr Chris Hitchings at Hoare Govett. In brokers Willis Faber, which has a 20.7 per cent stake in Morgan Grenfell, moved up 4 to 234p.

A market rumour that Brent Walker had sold its Whyte & Mackay whisky operation to a Japanese buyer for a healthy trading profit attracted early interest to the leisure group and boosted other stocks with strong spirits interests. However, the story proved entirely false; "Brent Walker has not sold Whyte & Mackay. It has had a number of approaches, but is currently not talking to anyone about any potential sale," said Brent Walker's public relations firm.

However, analysts were quick to point out that the value of Whyte & Mackay's whisky stocks alone has appreciated considerably since Brent Walker bought the operation last year. The whisky stocks had a book value of £45m when acquired, and some recent estimates put the current market value nearer £100m. The market word was that a Japanese company had offered a total of £200m for Whyte & Mackay. One fact that is known, is that Brent Walker is looking for a buyer of its four French vineyards. The group's shares ended 7 higher at 393p.

Those stocks to gain ground in the wake of the Brent Walker story included Guinness, up 7½ at 537p in good trade, Highland Distilleries, up 5 at 229p, and Allied Lyons, up 15 at 528p on turnover of 6.8m shares. The latter were also buoyed by a chartist's prediction that the shares are heading for 600p, and from widespread talk of the group's break-up value and depth of brand name quality.

Among firmer stores a buy recommendation from a US tipster lifted Burton 13 to 257p on turnover of 4.2m shares. A market analyst from a specialist Wall Street "boutique" was reported to have highlighted the upside in Burton, and predicted that the Burton ADRs, currently standing around $17, would hit $28 before the end of the year.

Boots continued to bask in the warm glow of Thursday's bullish annual meeting and the general re-rating of the market's pharmaceutical stocks which has followed the recent spate of mergers in the international pharmaceutical industry. Boots eventually closed up 8 at 294p on turnover of 3.3m shares, trading another pharmaceutical retailer, Lloyds Chemists (up 9 at 194p) in their wake.

W H Smith were also a firm market, the "A" shares closing up 16 at 350p, after broker Smith New Court picked out the stock as the long-term winner if, as expected, the Government abolishes the Net Book Agreement. Although its large market share means W H Smith would suffer most in the short term from abolition, that same dominant market position leads Smith New Court to conclude; "in the long term W H Smith will emerge as a winner."

Further consideration of the recent poor figures and bearish press comment left Sock Shop a sharp 11 points weaker at 93p.

There was heavy trade in Cadbury Schweppes as talk of an overseas bid refused to die down. The stock closed 3 better at 451p on turnover of 6.6m shares.

Avis Europe bounded foward after news of a possible offer from a private consortium which includes Lease International SA and Avis Inc, who together own 33.6 per cent of the company. The stock was the day's biggest mover, recording a final gain of 128½ at 578p. Smith New Conrt issued a note earlier this year, rating Avis European one of the key selections for 1992.

Vague stories of a management buy-out at Xerox or the possible acquisition of a publicly-quoted UK company (Granada was frequently mentioned) accompanied another rise in Rank Organisation, which ended at 969p, up 20. Granada gained 5 to 353p.

Eurotunnel went into fresh decline, losing 66 to 848p, after the announcement that it had not been possible to persuade potential vendors of either trading or commercial interests that the current share price represents a justifiable premium in relation to the company's net asset value.

Government blocking of the proposed sale of Hawk trainer jets to Iraq reversed the recent upward tendency in shares of British Aerospace. They closed 5 off at 709p.

Among quietly traded engineering stocks GKN put in a strong performance, rising 9 to 436p on turnover of 1.6m shares. The final results are due in a fortnight, and dealers reported good demand for the new account. Davy gained 6 at 283p following an analysts visit on Wednesday, while bid speculation continued to support Vickers, up another 5 at 250p.

Jaguar gave the impression of being tired at the end of a two-week trading Account which saw the shares fluctuate violently. Over the first week of the period they leaped to 424p on stakebuilding or bid speculation but then lost buoyancy following a savage downgrading by BZW. Analyst Mr Keith Williams estimates the luxury car maker will make profits of only £15m this year; his previous forecast was £35m. The shares settled 380p yesterday to show a fall of 17 on the week.

Enterprise Oil rose strongly, closing 7 to the good at 624p after hints that ICI may be looking to dispose of its 25 per cent stake in the oil group, either in a direct sale to Elf Aquitaine, the French group, or possibly via a market placing of its 81m shares.

The listing of Spice was temporarily suspended at 25p until Monday when a further announcement will be made.

The efforts of one persistent house unleashed intra-market business in Reed International, leading to a sharp rise in the shares. They ended up 12 at 439p. WCRS, the agency, blossomed when the long-running story resurfaced of it floating off the 50 per cent stake in Carat SA or acquiring the other half interest from SGGMD, Europe's independent media buying group.

BAT Industries moved against the trend as profits were taken awaiting fresh moves by either side in the bid situation. The stock finished 2 easier at 886p. Rothmans International also encountered profit-taking, despite the chairman's confidence at the annual meeting yesterday, and shed 5 to 650p.

■ Other market statistics, including the FT-Actuaries Share Index, Page 9.

NEW HIGHS AND LOWS FOR 1989

[illegible]

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	81	7	18	332	115	83
Corps, Dom. & Foreign Bonds	27	0	17	65	10	145
Industrials	424	312	862	1,869	1,828	4,301
Financial and Props	223	89	355	610	671	1,846
Oils	27	18	48	111	139	215
Plantations	0	5	6	3	8	46
Mines	35	36	104	174	210	481
Others	91	58	97	331	416	513
Totals	908	522	1,509	3,895	3,394	7,641

FINANCIAL TIMES STOCK INDICES

	July 28	July 27	July 26	July 25	July 24	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	87.16	87.07	86.70	86.34	86.34	87.94	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.19 (3/1/75)
Fixed Interest	97.23	97.14	97.03	97.13	96.94	97.57	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1924.8	1902.5	1885.6	1886.0	1872.9	1488.7	1924.8 (28/7)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	183.6	183.2	193.0	194.6	193.2	203.8	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2306.0	2283.7	2284.5	2289.4	2259.1	1843.8	2306.0 (28/7)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.25	4.30	4.28	4.28	4.31	4.56				
Earning Yld %(full)	9.81	10.04	9.99	10.02	10.09	11.58				
P/E Ratio(Net)(*)	12.13	11.97	12.03	12.02	11.94	10.52				
SEAQ Bargains(5pm)	34,112	26,446	21,252	24,759	26,173	30,846				
Equity Turnover(£m)†	-	1330.28	1093.74	1457.06	1285.12	906.55				
Equity Bargains†	-	29,888	25,879	27,976	30,046	30,105				
Shares Traded (ml)†	-	461.8	341.4	516.8	488.4	399.5				

Basis 100 Govt. Secs 15/10/26, Fixed int. 1928. Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. * Nil 12.01

Ordinary Share Index, Hourly changes — Day's High 1924.8 — Day's Low 1907.0

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1907.3	1918.6	1918.6	1917.5	1917.9	1917.8	1918.7	1918.5

FT-SE, Hourly changes — Day's High 2306.0 — Day's Low 2286.2

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2286.3	2295.4	2294.6	2294.4	2294.3	2294.4	2296.5	2297.1

S.E. ACTIVITY

Indices	July 27	July 26
Gilt Edged Bargains	108.3	81.2
Equity Bargains	133.7	161.7
Equity Value	2668.8	2210.7
5 – Day average		
Gilt Edged Bargains	83.6	78.3
Equity Bargains	186.8	188.7
Equity Value	2635.2	2731.9

SE Activity 1974. †Excluding intra-market business. London Report and latest Share Index. Tel 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	6,100	139½	-1½	Cookson	810	360	+3	Legal & General	622	361	+2	[illegible]			
Abbey National	8,800	144	+5	Courtaulds	130	371½	+5	Lloyds Bank	7,100	357	+11	[illegible]			
Allied-Lyons	6,800	528	+15	Dalgety	1,100	434	+1	LASMO	925	521	+4	[illegible]			
Austral	1,700	72		Dixons	4,500	169	+3	Lonrho	1,300	290	-1	[illegible]			
Argyll Group	1,100	237		Eng. China Clays	396	475		Lucas	224	668	+3	[illegible]			
Ass. Brit. Foods	191	386	-1	Enterprise Oil	533	624	+7	MB Group	1,800	199	-2	[illegible]			
BAA	1,200	369	+2	FKI Babcock	1,400	176		MEPC	970	575	-1	[illegible]			
[illegible]				[illegible]				[illegible]				[illegible]			

LEADERS AND LAGGARDS

Percentage changes since December 30 1988 based on Thursday July 27 1989

Food Retailing	+40.05	Capital Goods	+26.47
Agencies	+39.63	Stores	+26.06
Conglomerates	+34.30	All Share Index	+25.91
Transport	+34.02	Oil & Gas	+25.16
Mechanical Engineering	+33.00	Insurance(Life)	+24.88
Motors	+32.38	Mining Finance	+21.95
Other Groups	+31.90	Textiles	+21.11
Investment Trusts	+30.85	Gold Mines Index	+19.33
Health & Household Products	+30.77	Insurance(Composite)	+16.74
Brewers and Distillers	+28.95	Metals & Metal Forming	+16.06
Other Industrial Materials	+28.80	Merchant Banks	+15.56
Industrial Group	+28.74	Publishing & Printing	+15.24
Food Manufacturing	+28.46	Financial Group	+14.82
500 Share Index	+28.23	Packaging & Paper	+14.56
Leisure	+28.20	Property	+13.89
Consumer Group	+28.17	Banks	+13.23
Building Materials	+27.88	Overseas Traders	+11.11
Chemicals	+27.61	Contracting,Construction	+9.75
Electronics	+27.24	Telephone Networks	+9.61
Electricals	+27.15	Insurance(Brokers)	+6.48

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	107-09	+3/32	10.70	10.91	11.26
	9.750	1/98	98-19	+10/32	10.00	10.21	10.49
	8.000	10/08	98-16	+14/32	8.18	9.33	9.50
US TREASURY *	8.125	5/99	108-18	+21/32	7.86	8.06	8.17
	8.875	2/18	109-31	+33/32	7.99	8.15	8.13
JAPAN No 111	4.800	6/98	96.8520	+0.120	5.11	5.18	5.45
No 2	5.700	3/07	106.8630	+0.099	4.97	5.02	5.15
GERMANY	7.000	2/99	102.5200	+0.120	6.62	8.67	6.74
FRANCE BTAN	8.000	1/94	97.7163	+0.180	8.81	8.77	8.89
OAT	8.125	5/99	98.1800	+0.310	8.39	8.52	8.65
CANADA *	10.250	12/98	105.9700	+0.195	9.28	9.36	9.41
NETHERLANDS	7.000	3/99	99.9300	+0.180	7.01	7.08	7.13
AUSTRALIA	12.000	7/99	92.7650	-0.309	13.33	13.49	13.56

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Sugar provides the fireworks

SOFT COMMODITIES commanded most attention in the London markets this week, with coffee futures sliding to 8-year lows and white sugar prices reaching 8-year peaks.

Coffee prices continued to sag under the weight of the aggressive marketing policies adopted by producers following the collapse of the International Coffee Organisation's export quota system. Meanwhile white sugar was buoyed up by expectations of substantial Indian purchases before falling back late yesterday in response to a wave of chart-based selling in New York.

There was no fresh news to account for the coffee price's decline, which took the September position down to £759 a tonne yesterday morning – and analysts said the market appeared due for a technical rally. They added, however, that a rally might only encourage further selling as the market was fundamentally oversupplied and there was nothing on the horizon (barring a damaging Brazilian frost) which might bolster prices.

The September position ended at £762 a tonne, down £58 on the week.

On the sugar market prices for both whites and raws climbed yesterday morning as talk circulated that India might need to buy about 300,000 tonnes of whites soon, although officials in New Delhi denied that they were actively seeking supplies. The October whites price reached $425.50 a tonne, compared with $422.50 at Thursday's close and $412 at the end of last week. The rise for raws was more modest with October peaking at $329.80 (from $314.60 at the end of last week).

The upsurge had originated in the New York market, however, and when that market reopened yesterday dealers took the view that prices were looking "top-heavy" and set about liquidating positions. So London's early gains were wiped out in late afternoon trading.

This week's sugar market report from C. Czarnikow, the London trade house, had suggested that India was likely to be seeking fresh supplies soon.

"Already the Prime Minister, Rajiv Ghandi, has acknowledged in a television interview that the sugar situation is serious while local press reports suggest that the Government is actively considering a proposal to import 500,000 tonnes of sugar," Czarnikow noted.

It estimated Indian sugar production this season at no more than 8.8m tonnes, while offtake is seen reaching at least 9.9m tonnes.

The report also forecast a lower European Community sugar crop this year, citing "gappy fields, slightly delayed development, virus yellows and drought stress" as the chief reasons. And with similar problems being experienced in some East European countries it said the European beet sugar total could fall to 29.24m tonnes (raw value) from 30.78m last year.

On the cocoa market prices continues to drift lower in quiet conditions. "Physicals are very, very quiet and nobody wants to get involved in futures in these conditions," commented one trader. The September futures position closed at £848 a tonne yesterday, down £26 on the week.

There were no fireworks on the London Metal Exchange, where the biggest movement was nickels $800 rise, in the cash position, to $12,850 a tonne. Dealers attributed the market's strength to technical tightness. Despite rising 672 tonnes last week, LME warehouse stocks remain uncomfortably low at 3,270 tonnes. But dealers were not expected the advance to continue very far because they thought the $12,000 level for three months metal (which last night closed at $11,950 a tonne) would prove an effective resistance point.

Aluminium also made further ground, though at a very sedate pace and less consistently than last week. The cash position see-sawed to $1,748.50 a tonne, up $4.50 on the week, while three months metal ended $10.50 up at $1,756.50 a tonne.

Dealers said sentiment in the aluminium market might have been aided by news that Alcoa was closing a 42,000-tonnes-a-year potline at Wenatchee, Washington State, as feed supplies had been cut by a strike at the company's partly-owned alumina (aluminium oxide) refinery in Jamaica.

Lead prices drifted downwards for most of the week until they were boosted yesterday by news that Britannia Refined Metals had received a strike notice from three unions representing about half the workforce at its 180,000-tonnes-a-year refinery in Northfleet, near London. The notice takes effect from August 3.

The cash lead price gained £6.75 yesterday to £423.25 a tonne, but that was still £3.75 down on the week.

Richard Mooney

APPOINTMENTS

NatWest Group moves

Mr David Duffield has been appointed general manager, NATIONAL WESTMINSTER BANK group personnel, succeeding Mr John Bond on his retirement. Mr Duffield was deputy general manager. Mr Barry Sealey, deputy chairman and managing director of Christian Salvesen, Edinburgh, has been appointed a director of the bank's northern advisory board; and Mr Alan Cherry, chairman and managing director of Countryside Properties, joins the bank's City and West End advisory board.

NATWEST INVESTMENT BANK has appointed as directors Mr John Chiene and Mr Donald Macpherson. Mr Chiene, with the group since it acquired Wood Mackenzie & Co, is chairman and chief executive of the equity securities operation; and Mr Macpherson, head of the corporate advisory division, is a former senior partner of Fielding, Newson-Smith & Co., acquired in 1986. Mr David Reed has resigned as head of the corporate advisory division.

Burton Group promotions

■ Mr Laurence Cooklin and Mr Paul Plant, deputy managing directors of THE BURTON GROUP, have been promoted to joint group managing directors. In addition to overall group responsibilities, Mr Cooklin will be responsible for all the retailing divisions, and Mr Plant for the property and financial services businesses. Mr Michael Wood has been appointed deputy group managing director in addition to his post as group finance director.

■ Mr Alasdair Morrison and Mr Anthony M. Symington have been appointed vice presidents of DOREMUS & CO, New York. Mr Morrison has also been appointed a director of the London-based subsidiary for which both men work.

■ Mr Nigel Sanders has been elected chairman of the outplacement company SANDERS & SIDNEY. He was co-founder with Mr Deryck Sidney who retires as chairman but remains a non-executive director.

■ Mr S.C.T. Matheson has been appointed director general (management) of the INLAND REVENUE, and a commissioner.

■ Mr Tony Funnell has been appointed deputy general manager of the INSTITUTE OF LONDON UNDERWRITERS, which represents the company marine insurance market.

■ Mr Thomas J. Berger has been appointed a director of LOMBARD ODIER INVESTMENT MANAGEMENT SERVICES and Lombard Odier International Portfolio Management, London. He was deputy assistant secretary with the US Treasury in Washington. Mrs Karin B. Bonding has been promoted to assistant director of the same two companies.

■ Mr Bob Carrick has been appointed finance director of BENCHMARK BANK. He was financial controller. Mr Greg Horton, an associate director, has been promoted to director. Miss Valerie Millgate, advances controller and manager, recoveries department, becomes an associate director. Mr William Dobbie, group financial accountant, has been promoted to financial controller and associate director.

■ Mr Fred Thompson has been appointed chairman of OLEO PNEUMATICS, Coventry, a subsidiary of Wagon Industrial Holdings. He will continue as chief executive of the engineering division of Wagon.

■ BARRATT DEVELOPMENTS has appointed the head of its US housebuilding subsidiary Mr Mark Frazier to the main board from August 1.

■ Mr Tony Arnold-Boakes has been appointed treasurer of FIRST MORTGAGE SECURITIES. He was company secretary, and is succeeded by Ms Jeanne Bartlette, formerly with Slaughter & May.

■ OXFORD LASERS has appointed Mr Barrie Giles as managing director.

■ Mr Dick Fox has been appointed marketing director of INTERGRAPH (UK), a new post. He was managing director of National Telephones.

■ Mr Michael J. Hogan has been appointed director responsible for corporate finance at NYCKELN FINANCE CO. He was assistant general manager of the London branch of Banque Française de Commercial Extérieur.

■ LONDON AND MANCHESTER GROUP has appointed Mr Nigel Driver as general manager (sales and marketing), and a director of London and Manchester Assurance Co from August 1. He was a director of Prolific Financial Services.

■ AIR BUSINESS (UK) has appointed Mr David Borrett as managing director of its new subsidiary, Air Business (City).

■ Ms Jean Baddeley has been appointed marketing development director of MIRROR GROUP MAGAZINES.

■ Mr Bill Wallace has been appointed a non-executive director of GERRARD VIVIAN GRAY, agency stockbroker subsidiary of Gerrard & National. He was finance and administration partner at Laurie Millbank, and has been a consultant to GVG.

■ Mr Stephen J. Bryan has been appointed treasurer of HOECHST UK from August 15.

■ ADMIRAL HOMES has appointed Mr Peter Westhorpe as land director, and Mr Peter Fulcher as commercial director.

■ TRAVICOM, a subsidiary of British Airways, has appointed Mr Paul Nolan as managing director. He was deputy managing director, and succeeds Mr Dan Brewin who continues as head of distribution British Airways.

■ Mr Tim Richards is joining SWISS BANK CORPORATION, London, in October. He is with the Bank for International Settlements, Basle.

■ Mr Stephen Matanle and Mr John W. Tyndall have been appointed joint deputy chief executives of BOWRING NORTH AMERICA.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ¥ - 0001 to 1300 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD						01-405 8331
Comwlth & Equity	5	63.84	66.83	71.09	.....	6.69
European	5	71.68	72.02	76.61	.....	0.09
Far Eastern	5	64.24	64.42	68.53	.....	0.64
Growth Inc	5	90.07	93.43	99.39	.....	1.40
Growth Acc	5	90.07	93.43	99.39	.....	1.40
Income Inc	5	86.66	88.75	94.41	.....	4.51
Income Acc	5	86.66	88.75	94.41	.....	4.51
Property Share	5	56.28	56.28	59.99	.....	0.99
Smaller Co's	5	59.53	60.94	64.44	.....	1.48
Nth American	5	62.18	62.18	66.49	.....	1.62
International	5	47.99	47.99	51.32	.....	1.44
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY						01-588 0592
Growth	5	111.18	111.18	116.18	.....	4.04
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield						0484 602250
Yorkshire General	4¼	65.70	68.19	72.54	+0.26	2.49
YUTM Hi Eqty ar Tk	5¼	62.08	64.00	68.08	+0.07	4.39
YUTM Intl Gwth Tst	5¼	51.90	52.98	55.50	+0.15	0.80

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.2	503.6	.....	-
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Inv Fund June 30		518.35	.....	4.72
Fxd Int Sec June 30		138.65	.....	10.31
Deposit June 30		100.00	.....	13.05
Charinco/Charishare‡‡ (1000)F				
33 King William Street, EC4R 9AS				01-280 2800
C'inco Inc July 26	166.5	170.7	+0.80	10.11
C'inco Acc July 26	683.1	700.5	+4.50	10.11
C'share Inc July 26	157.0	162.9	-0.40	3.04
C'share Acc July 26	172.5	179.2	-0.20	3.04
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Income June 30		493.06	.....	5.01
Accum June 30		1644.04	.....	-
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American July 26	146.5	150.6	-0.2	1.50
Managed July 26	137.2	142.3	-1.7	2.02
Japan July 27	143.9	147.9	+5.2	0.14
Pacific July 28	445.0	457.2	-16.5	0.22
Sm Jap Cos July 28	282.0	289.8	+4.3	0.38

Fidelity Investment Services Ltd

Foreign & Colonial Pens Mngt Ltd

Henderson Unit Trust Management Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

MIM Ltd

Morgan Grenfell Inv Mngmt Ltd

Murray Johnstone UT Mngmt

New Court Property Fund Managers

Phillips & Drew Fund Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abtrust Management Ltd

AEtna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Assce. Co Ltd

American Life Assurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Citicorp British National

City of Edinburgh Life Assurance

City of Westminster Assurance Co

Clerical Medical/Fidelity International

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Insurance Co of America

Commercial Union Group

Cornhill Insurance PLC

Crown Financial Management Ltd

Crusader Insurance Plc

Criterion Assurance Group

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur/Midland Assur.

Economic Insurance Company Ltd

Edinburgh Money Management Ltd

Equitable Life Assurance Society

Equity & Law

FS Assurance Limited

Family Assurance Society

Friends' Provident

GT Management Ltd

General Accident Linked Life Assur(z)

General Portfolio Life Insur. Plc

Assicurazioni GENERALI SpA

Gresham Unit Assurance Ltd

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration(z)

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

The LAS Group

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pensions) Ltd

Liberty Life Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance(z)

Manchester Unity Assurance

ManuLife Group PLC

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

National Financial Management Corp PLC

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Continued on next page

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Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Life Ltd – Contd.

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Co Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd – Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

Marsh Financial Management Ltd

Noble Lowndes & Partners Ltd

O'Halloran & Co/Countrywide

PBR Fund Management Ltd

Rayborough Financial Management Ltd

Sharp (Albert E.) & Co

Sifta Fund Managers Limited

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Torey Lane & Co

J. D. Ward Financial Services Ltd

Yorkshire & Lancashire Investment Mgt.

MANAGEMENT SERVICES

David M. Aaron (Personal Fin. Plan.) Ltd

The Analysis Group PLC

Blackstone Franks Plc

Bryan Watts & Partners Ltd

Cameron Law & Company Ltd

James Campbell & Sea Financial Services

Chase de Vere PLC

Clifton Financial Mgmt Ltd

Drummond Moores Plc

First Financial PLC

Gartmore Fund Managers Ltd

Hinton Hill (L & P) Ltd

Investment Portfolio Services Ltd

Johnson Fry Financial Services Ltd

Knight Williams & Company Ltd

Lamont & Partners Plc

M & E Financial Management Plc

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

Crafund Invest Managers (Guernsey) Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Henderson Administration (Guernsey)

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Lloyds Intl Money Market Fund Ltd

Prolific International Mngmt Ltd

Rothschild Asset Management (C.I.)

Rothschild Asset Management – Contd.

Royal Bank of Canada Funds

JERSEY (SIB RECOGNISED)

Capital House Fund Mgrs (CI) Ltd

John Govett (Channel Islands) Ltd

Lloyds Bank (CI) U/T Mgrs.

MIM Britannia International (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd

TSB Trust Funds (CI)

IoM (SIB RECOGNISED)

Allied Dunbar International Fund Mgrs

Asset Global Funds Ltd

Barclays Intl Funds

Gartmore Fund Managers (IoM)

Refuge Overseas

Sun Life Management (IoM) Ltd

LUXEMBOURG (SIB RECOGNISED)

Eagle Star Intl-Global Assets Fund

Fleming Group

Ivory & Sime (Luxembourg) SA

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

GUERNSEY (**)

Adams & Neville Fund Mngt (Guernsey) Ltd

AEtna Intl Assurance (Bermuda) Ltd

Bamford Brandt Guernsey Mngt. Ltd

The Bangkok Fund

Baring Intl Fund Managers (Guernsey) Ltd

Dunbar Asset Management (Guernsey) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Five Arrows Intl Bond Fund

Framlington Overseas Fund Mngt Ltd

Assicurazioni GENERALI SpA

John Govett Mngmt International Ltd

Hambros Fd Mgrs (CI) Ltd

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

The India Fund

Kleinwort Benson (Guernsey) Fd Mngrs Ltd

Lazard Fund Managers (CI) Ltd

London Interstate Fund Managers Ltd

M & G Island Fund

Manufacturers Hanover Geofunds

NM Financial Mgmt Intl Ltd

Nikko Capital Mgmt (Europe) Ltd

Touche Remnant (Guernsey) Ltd

Tyndall International (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Wellington Fd Mngrs (Guernsey) Ltd

Yamaichi Capital Management (Guernsey) Ltd

JERSEY (**)

Allied Irish Fund Managers (CI) Ltd

BNP Inv Mngmt (Jersey) Ltd

Barclays Intl Funds

Schroder International Selection Fund

Touche Remnant (Jersey) Ltd

Brown Shipley Fund Mngt (CI) Ltd

Cater Allen Investment Management (CI)

Citibank (CI) Ltd "Citifunds"

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FT UNIT TRUST INFORMATION SERVICE

EBC Trust Company (Jersey) Ltd

Warburg Investment Management Jersey Ltd – Contd.

Isle of Man Assurance Ltd

Brazilian Securities Ltd

Bridge Management Ltd

NEL Britannia International Ltd

Bridge Singapore Asset Mngmt Ltd

Butterfield Management Co Ltd

Equitilink International Mngt Ltd

Castrade ITEC Fund Management

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
59¾	55⅛	Funding 3½pc '99-04.	58⅝	–⅛	6.02	8.50

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	88¼		8.17	11.70
206	206	S Rhod 2½pc Non-Asstd	206			
84½	84½	Do. 4½pc 87-92 Asstd	84½		5.33	9.33

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

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AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
20⅝	16¾	FPL Group 1c.	19⅝xd	+⅛	$2.[illegible]	–	7.3
32⅞	27⅝	Ford Motor $1	30¼xd	+¼	$3.[illegible]	–	6.3
45	30½	GATX 62½c.	43½	.....	$2.[illegible]	–	2.9
35¼	24¼	Gen. Elect. 63c.	34⅝	+⅛	$1.[illegible]	–	3.0
568p	460p	♦General Host Corp $1	468p	+8	[illegible]	–	4.1
39¼	18¼	Gillette $1	27¾	+⅛	[illegible]	–	2.2
987p	616p	Gt Am First Svgs Bk $1	634p	−15	[illegible]	–	6.0
23⅝	16	Greyhound $1½	20	+⅛	$1.[illegible]	–	4.0
14⅛	847p	Hasbro Inc 50c	13⅛	+½	[illegible]	–	0.8
54⅞	32¼	Honeywell $1½	52¼xd	+¼	$2.[illegible]	–	2.5
11¼	13¼	Houston Inds. ‖	20⅞	+⅛	$2.[illegible]	–	9.0
74⅝	63	IBM Corpn $1¼	68xd	+⅞	$4.[illegible]	–	4.5
60p	45p	♦Image Storage/R.Sys 1c.	55p	.....	–	–	–
28¼	18⅝	Ingersoll-Rand $2	28xd	+⅛	$1.20	–	2.7
33	22½	Lockheed Crpn. $1	28⅝xd	−¼	$1.80	–	3.9
22⅜	15	Lone Star Inds $1	20	+	$1.90	–	5.8
25	17½	Louisiana Land 15c.	23xd	+	$1.00	–	2.6
17	11⅞	Lowe's 50c.	15⅝	.....	48c	–	1.9
25¼	15	Manuf. Hanover $1	24⅞	+¼	$3.28	–	8.3
20¼	13	Merrill Lynch $1	20⅝	+¼	$1.00	–	3.1
2253p	1910p	Molex Inc.	2065p	+30	3.2c	–	–
27	18¼	Morgan (J.P.) $2½	23xd	+	$1.66	–	4.5
54½	36¼	NYNEX $1	46⅝	+⅞	$4.36	–	5.9
24⅝	18¼	PHH Corp. ‖	23⅛	.....	$1.12	–	3.1
259p	180p	♦Pacific Agr. ‖	180p	.....	–	–	–
27¼	19	Pacificorp $1¼	25xd	+⅛	$2.76	–	6.7
27¼	16⅞	Pacific Telesis 10c.	28¼	+⅝	$1.88	–	4.6
22⅛	13¼	Pall Corp. 25c.	19⅝	−⅛	48c	–	1.5
55⅝	39	Pennzoil 83 1/3c.	40¼xd	+⅛	$3.00	–	3.9
42¼	28⅝	Quaker Oats $5	40⅝	+⅝	$1.20	–	1.9
32¼	23½	Rep NY Corpn $5	29xd	−	$1.28	–	2.8
15¼	11	Rockwell Intl. $1	13¼xd	−	78c	–	3.6
35	21⅝	Southwestern Bell $1	33⅝	+⅛	$2.60	–	4.9
27⅞	17	Sun Co. Inc. $1	22xd	−	$1.80	–	5.2
30¼	22	TRW Inc 62½c.	29xd	−	$1.72	–	3.7
22¼	14⅝	TW Services $5	20¼	.....	10c	–	0.3
36⅝	26¼	Tenneco $5	36xd	+	$3.04	–	5.3
35	28	Texaco $6.25	31⅞xd	.....	♦$3.00	–	6.0
28	21⅝	Texas Instr. $1	23⅞xd	+⅛	72c	–	1.9
117	58⅝	Time Inc. $1	85¼	+1⅛	$1.[illegible]	–	0.7
18	13	TRINOVA Corp.	16xd	−	[illegible]	–	2.5
24⅝	16	USX $1	22xd	+1	$1.[illegible]	–	4.0
230p	126p	♦Unilab	230p	+15	–	–	–
33⅞	22⅛	Utd. Technologies	33xd	−	$1.[illegible]	–	3.1
158p	128p	♦Unitech Inc.	137p	.....	–	–	–
46½	31½	US West ‖	42¼	+⅝	$3.[illegible]	–	5.6
36¼	22⅝	Waste Management $1	34⅝xd	−	[illegible]	–	0.9
20¼	13½	Whirlpool $1	18⅞	+⅛	$1.[illegible]	–	3.7
24⅛	16	Whitman Corp.	11⅞	+	$1.[illegible]	–	3.0
36	28¼	♦Woolworth $3½	34	+1¼	$1.[illegible]	–	3.5

CANADIANS

1989 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
168p	129p	♦ABM Gold Corp ‖	147p	−6	–	–	–
23½p	4½p	♦Abbot Energy Corp.	24p	.....	–	–	–
16⅛	902p	♦Amer. Barrick Res.	15⅛	.....	–	–	–
19½p	10½p	♦Armeno	17⅞p	+½	–	–	–
344p	94p	♦Asiamerica Hldgs ‖	293p	−6	–	–	–
33½p	8½p	♦Augmitto Explo.	18½p	−½	–	–	–
17⅞	12⅞	Bk. Montreal ‖	17⅝	+⅛	$2.12	–	6.2
10⅛	655p	Bk. Nova Scot. ‖	963pxd	+15	92c	–	4.9
821p	599p	♦BC Gas $1	765p	−5	60c	–	4.0
22	17	BCE ‖	21¼	−⅛	$2.44	–	5.9
848p	570p	♦Bow Valley ‖	708p	−5	♦40c	–	2.9
16⅞	12½	♦Brascan ‖	15⅛	.....	88c	–	2.9
228p	144p	♦Breakwater Res.	130p	−3	10c	–	3.4
17¼	11⅛	Can. Imp Bank ‖	16¼	.....	$1.24	–	3.9
13¼	997p	Can. Pacific ‖	13¼	+½	76c	–	2.9
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

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INSURANCES—Contd

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1989 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
160	95	Seacon Hldgs. γ	152	......	2.5	6.1	2.2	9.5
•17½	3½	Staks Hldgs. 5p γ	8½xr	......	–	–	–	13.0
•3½	1½	Swanyard Studios 1p γ	2½	......	–	–	–	♦
11	7	Systems Connections 2½p γ	8½	......	–	–	–	11.2
43	37	Tavern Leis. 20p γ	40	......	–	–	–	–
105	28	Tomorrows Leisure 20p γ	103	......	–	–	–	51.3
19	11	Tullow Oil 10p γ	13½	–1½	–	–	–	–
113	85	UPL Group 10p γ	85	......	2.75	♦	4.3	♦
150	135	Volt Group γ	147	......	5.0	♦	4.5	♦
14	5	Vista Ents 5p γ	9½	+½	–	–	–	–
40	35	Vizcaya Hldgs 5p γ	35	......	–	–	–	–
39½	23	Waterside Leisure 20p γ	38½	–½	–	–	–	–
27	10	Do. Wrrnts γ	26	......	–	–	–	–
10¼	5	Wilton Group 1p γ	8	......	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	96	–1
Craig & Rose £1 γ	830	......
Finlay Pkg. 5p γ	88	......
Holt (Jos) 25p γ	1343	......

IRISH

Cap. 8½% Ln. 1991 γ	£98½	......
9pc Cap Ln. 1996 γ	£101⅝	......
Fin. 13% 97/02 γ	£122	......
Arnotts γ	420	–2
Carroll (P.J.) γ	158	+5
Hall (R. & H.) γ	170	+3
Heiton Hldgs. γ	86	......
Irish Ropes γ	225	......
United Drug γ	142	+4

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons γ	38
Amstrad γ	11
BAT γ	80
BOC Grp. γ	42
BSR γ	6½
BTR γ	32
Barclays γ	41
Beecham γ	50
Blue Circle γ	48
Boots γ	15
Bowaters γ	44
Brit Aerospace γ	52
British Steel γ	7½
Brit. Telecom γ	21
Burton Ord. γ	16
Cadburys γ	46
Charter Cons. γ	40
Comm Union γ	32
Courtaulds γ	30
FKI Babcock γ	14
FNFC γ	22
Gen Accident γ	85
GEC γ	20
Glaxo γ	110
Grand Met γ	48
GUS 'A' γ	90
Guardian γ	18
GKN γ	34
Hanson γ	16
Hawker Sidd. γ	60
ICI γ	106
Jaguar γ	28
Ladbroke γ	28
Legal & Gen γ	26
Lex Service γ	33
Lloyds Bank γ	29
Lucas Inds. γ	58
Marks & Spencer γ	15
Midland Bk. γ	30
Morgan Grenfell γ	24
Nat. West. Bk. γ	25
P & O Dfd. γ	55
Plessey γ	22
Polly Peck γ	26
Racal Elect. γ	40
RHM γ	42
Rank Org Ord. γ	80
Reed Intnl. γ	34
STC γ	32
Sears γ	15
TI γ	38
TSB γ	10
Tesco γ	14
Thorn EMI γ	58
Trust Houses γ	24
T&N γ	10
Unilever γ	46
Vickers γ	18
Wellcome γ	42

Property	
Brit Land γ	32
Land Securities γ	52
MEPC γ	50
Randsworth γ	28

Oils	
Brit Petroleum γ	21
Burmah Oil γ	50
Calor γ	35
Charterhall γ	2½
Premier γ	9
Shell γ	32
Ultramar γ	26

Mines	
Cons Gold γ	150
Lonrho γ	30
RTZ γ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

FINANCIAL TIMES
Weekend July 29/July 30 1989

Lloyds writes off £464m in debts

By David Barchard

LLOYDS BANK wrote off £464m against developing country debts in the first half of this year, reviving the spectre of Third World debt that haunts the big four clearing banks.

As a result, Lloyds' pre-tax profits in the first half of this year dropped to £93m, less than a quarter of their level a year ago.

However, the City approved of the move, regarding it as a prudent step. Lloyds' shares rose 13p during the day to close at 357p, while those of the other three large clearers also rose.

Sir Jeremy Morse, the bank's chairman, said it was very disappointing that Lloyds, which wrote off £1.06bn in 1987, found itself again faced with such a large figure for debt provisions. He said: "The ability to make provisions does show how much we have strengthened our position."

Lloyds, the smallest of the big four, has pushed its debt provisioning to the equivalent of 47 per cent of the lending at risk. A total of £183m of the provisions are made under the Bank of England scheme against debts to particular countries, while £300m has been set aside in general provisions which the bank will hold *until it decides where to assign* them. "Problem" loans already recovered amounted to £19m.

Without the debt provisions, Lloyds would have reported profits 17 per cent up on last year, with most of its operations returning an improved performance despite less favourable market conditions.

Lloyds' decision to return to heavy debt provisioning reflects mounting alarm among international bankers at the economic situation in three large debtor countries – Argentina, Brazil, and Poland – as well as concern that 15 of 29 debtor countries, led by Argentina and Venezuela, are not paying interest.

Sir Jeremy indicated that Lloyds expects the outlook for Third World debt to become clearer by the end of the year.

The three other large clearing banks, National Westminster, Barclays, and Midland, now seem likely to make similar increases in their Third World debt provisioning.

Provisions cut Lloyds Bank to £93m, Page 8

Quiet satisfaction on the sidelines

Philip Stephens on how Heseltine is climbing the slippery pole

MR Michael Heseltine has every reason to feel content with the embarrassing recriminations over Mrs Margaret Thatcher's *cabinet reshuffle*.

He is also acutely aware that he needs to avoid the charge that he is seeking to further his own ambitions by making political capital out of it.

So yesterday, Mr Heseltine was scrupulous to avoid joining those of his colleagues at Westminster who have criticised Mrs Thatcher's handling of the ministerial shake-up as ruthless or authoritarian. This saw the forcible move of Sir Geoffrey Howe from the Foreign Office but not before he was offered Mr Douglas Hurd's job as Home Secretary.

Sitting in his deceptively modest office a few hundred yards from Westminster, Mr Heseltine made it clear he would leave it to others to attack Sir Geoffrey's move or *the slight to Mr Hurd*.

Instead he offered his views on the policies and priorities upon which the Government should now be focusing.

It is an agenda that is readily distinctive from that of Mrs Thatcher – he is passionately pro-European and sees a *far more positive role for Government* in supporting industry in the world market-place – but one that is constructed with care to ensure it cannot be portrayed as disloyal.

The agenda will expand further over coming months: a recently-published book on Europe will be followed by one on Japan, the endless round of speeches at local Conservative associations will stop only briefly during the summer.

"The history of the last 40 years is one of Britain reluctantly catching up . . . It is a sad history and it would have been so much better if Britain had led," Mr Heseltine laments.

He then adds, however, that the deal agreed by Mrs Thatcher at last month's Madrid summit is a significant step towards preventing that happening again.

The 56-year old former defence minister, who stormed out of her cabinet in 1986 at the height of the Westland affair, wants above anything else to be the next leader of the Conservative Party – and the next Prime Minister.

It had not escaped Mr Heseltine's notice that the political furore surrounding Sir Geoffrey Howe's forced removal from the Foreign Office has shortened bookmakers' odds on his own chances of succeeding Mrs Thatcher.

Ladbrokes now quote him as a four-to-one prospect, down from six-to-one a week before the reshuffle and 10-to-one not that long before.

That puts Mr Heseltine, confined to the relative obscurity of the Commons backbenches for over three years, just behind Mrs Thatcher's "official" heirs apparent – Mr Baker and Mr John Major, the new Foreign Secretary.

Despite the depth of his anger during Westland, he decided within months of his departure from Downing Street that the best way to get back there – in Mrs Thatcher's chair – was to fight for the Conservative Party rather than to attack her.

The three years since have been spent on assiduously cultivating his fellow Conservative MPs and on a tireless campaign of speeches, books, and political handshaking. The aim is to establish his own platform for the day she eventually *retires to Dulwich – after of* course she has won the next election.

Mr Heseltine is as convinced as ever that she will win, despite the *Conservative's* recent slump in the opinion polls: "Our majority is large enough to be invincible in anything but the most catastrophic of situations."

That catastrophe would only be possible if the Government failed to restore its grip on the economy. "The central issue is that of inflation . . . Our success is linked very closely to the perception that we can run the economy competently."

The Prime Minister's decision this week to allow Mr Nigel Lawson to remain in place as Chancellor was the clearest signal that the Government would *stick* to its counter-inflation policy.

Getting results would be a slow process but in the meantime the stars of the reshuffle – particularly Mr Kenneth Baker, the new party chairman and Mr Chris Patten, the Environment Secretary – were suited to responding to many of the voters' other concerns.

Meanwhile, the satisfaction that Mr Heseltine must derive from Mrs Thatcher's discomfiture this week – and from the fact that his criticism during Westland of her style of Government is now widely shared – will be enjoyed strictly in private.

United front, Page 3

Bush warns Congress over key votes

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush warned Congress yesterday that important votes this week risked both undermining the US negotiating position with the Soviet Union and sending the wrong signals to financial markets on the Federal Budget deficit.

He was talking to reporters after a week in which the House of Representatives has adopted a defence budget radically different from the one his administration proposed.

A House/Senate conference has also approved a method of financing the rescue of the troubled savings and loans industry which might breach the Gramm-Rudman deficit reduction law. At the same time there is a stalemate over a proposed cut in capital gains tax and the nomination of the main civil rights official has been held up.

Taken together, these events could weaken central planks of Mr Bush's programme and yesterday he sought to put pressure on the Democrat-controlled Congress ahead of a series of important votes next week to resolve these matters.

The main setback has been on defence, where the House has voted for substantial reductions in the Star Wars/Strategic Defence Initiative, the B2 Stealth bomber and the mobile missile systems while voting to continue two aircraft programmes which the Pentagon wished to end.

Referring to the need for an overall strategic concept, Mr Bush said the US did "not want to negotiate with the Soviet Union without as many cards in my hand as possible. So there's an arms control dimension to what we're talking about too." He was looking to the Senate to restore the cuts and predicted that the administration would "prevail for most of what we want."

President Bush did not believe he would have to veto the bill on the rescue of the financially troubled savings and loans industry. The current Congressional proposal would put $50bn of the bailout within the Federal Budget, though with a waiver of this amount from the Gramm-Rudman deficit reduction law.

He said the administration had 40-plus votes "staying firm" in the (100-strong) Senate and this would be sufficient to block any waiver.

However, Mr Bush said he was worried about "bending and breaking the Gramm-Rudman limits which would send a bad sign to international markets".

THE LEX COLUMN

The bankers take their medicine

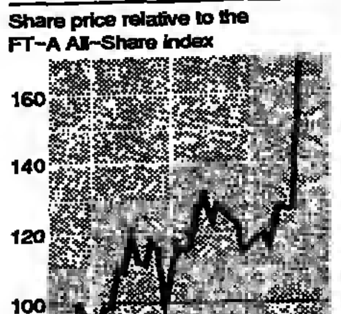
It seems there is nothing the stock market likes better than tough action by the UK clearing banks. National Westminster's shares rose on news earlier in the week that the chairman and three of his top executives had been forced to resign over the Blue Arrow affair, and Lloyds' shares raced ahead yesterday on the announcement of its second nasty half-yearly loss in just two years because of the need to make further massive provisions for troubled Third World loans. *Indeed, the rather odd* thing yesterday was that the shares of Barclays and NatWest performed even better, on the assumption that they could afford to be even tougher than Lloyds in providing for what bankers now love to call yesterday's problem.

Lloyds' heavy exposure to Latin American borrowers has been the main reason for its low stock market rating; and its ability to increase its *provisions* to 47 per cent of its exposure without unduly damaging its capital ratios is a measure of the steady recovery in its financial strength. Meanwhile, the rest of the clearers will find it hard to match the 16 per cent rise in Lloyds' interim dividend. Whatever one might think about the quality of the group's remaining international debt load, Lloyds' ability to continue to grow its dividend faster than the competition is impressive. The key question now is whether this can continue in the face of a marked slowdown in the UK retail financial services industry. However, a prospective multiple of 4½ times earnings is not asking a lot.

FT Index rose 22.3 to 1,924.8

Avis Europe

Share price relative to the FT-A All-Share Index



Markets

It is hard to shake off the feeling that the London equity market is getting a risky place to be. *The FT-SE is now higher* than it was on the eve of the crash, having finally managed to close above 2,300. No one seems happy at this level, but even the bears are nervous that individual stocks or sectors may race away again. Thus, Thorn EMI was up 44p yesterday on rumours first heard some months ago, and Barclays was up 26p on the grounds that the banks, like the stores, are so bombed out as to be attractive.

Underpinning this, of course, is the strength of the Dow, which at over 2,640 is a mere 80 points away from its all-time peak. The US is enjoying a benign combination of recessionary pessimism in the bond market – the long bond rate is almost through 8 per cent – and soft-landing optimism in equities. In the course of July, the Dow has risen a clear 200 points, or over 8 per cent. It is asking a lot to expect this rate to continue.

This need not mean that the market's underlying trend is turning down. But for a fund manager planning tactics for *the rest of* the third quarter, this could be a good time to review the attractions of money on the street at 14 per cent.

Smith Corona

Wall Street has risen significantly since Hanson announced plans for an initial public offering of just over half its shares in Smith Corona, so it comes as some surprise to see *such a street-smart operator* having to cut the expected offer price by 12½ per cent to get it away. Perhaps Hanson's US investment bankers were too ambitious. But at $21 Smith Corona is being floated at less than 10 times this year's earnings, which seems cheap if this *really is a growth stock*.

Part of the reason for the lacklustre reception is that Hanson itself is raising $400m plus from the deal and is leaving Smith Corona with far more debt than equity at a time when the US economy is slowing down fairly rapidly. Smith Corona is expected to grow faster than average, but its impressive recovery under Hanson owes a lot to the protection of a 25 per cent decline in the US dollar and substantial improvement in operating margins, neither of which can be counted on to continue.

Avis Europe

Putting together a consortium bid is not easy even when the parties sit cosily on each other's boards. The kind of premium necessary to clinch a friendly deal when there is only one plausible bidder and when it already owns a third of the shares is probably around *30 per cent*. So the 29 per cent rise in the Avis Europe share price yesterday on the basis of mere bid talks might suggest rather more risk than reward.

On closer *inspection*, Avis may be different. There is no need to invoke the astronomical multiple Chrysler recently paid for the Thrifty car rental business to conclude that Avis should command a high price. It has an excellent brand name, car hire seems to be a growth market in Europe, and the company is well managed. Moreover, there are good commercial reasons for putting the two Avis bits back together, which were *only pulled apart* in the first place to meet the financial needs of the Avis Inc buy-out. For all that, a multiple approaching 20 might not be too much, implying a *bid* price of 650p or so; in which case yesterday's 578p seems a fair enough reflection of the smallish risk that friends may fall out.

Victoire/Colonia

Sooner rather *than later*, Mr Leon Brittan in his new role in Brussels must think seriously about deals such as the private arrangement Victoire is striking with Colonia, Germany's second largest insurer. By buying a majority shareholding in Colonia from the Oppenheim *clan*, Victoire will achieve something other French insurers will envy: an *entrée* to the stable German market, and a place at the top table of European insurance.

It is easy to see why the idea appeals to Victoire, which last year failed to woo the UK's *Royal Insurance into marriage*. For Victoire is a well-run but over-capitalised company, fat with prime Gallic real estate, with a book of business skewed too heavily to French life assurance and a problem of declining return on equity. *It is* less obvious, perhaps, what the deal will do for minority shareholders of the four Colonia group companies, who have yet to learn anything about the price Victoire will pay.

One should also be wary of the rhetoric saying European insurers must merge and acquire if they are to compete post-1992. Such consolidation may suit managers motivated by *la gloire*. It could just as easily stifle the competition 1992 is supposed to produce.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Kugelfischer	418	+	17
Schering	734	+	5
Falls			
Kl'ckner Werke	145	−	7.5
Didier-Werke	278	−	10
Kaufhof	518.5	−	15
BHF Bank	462.5	−	10.5
NEW YORK ($)			
Rises			
Chase M'hattan	39⅝	+	⅞
Merrill Lynch	34⅝	+	⅞
Upjohn	34⅞	+	1⅜
Falls			
Bristol-Myers	48½	−	1½
Chrysler	24	−	¾
Sun Micro	14⅜	−	1⅜
New York prices at 12.30.			
LONDON (Pence)			
Rises			
Allied-Lyons	528	+	16
Avis Europe	578	+	128½
Barclays	509	+	26
Boots	294	+	8
Burton	257	+	13
Douglas (RM)	435	+	20
GKN	437	+	8
Gen Accident	1000	+	11
Ladbroke	324	+	8
Laporte	489	+	12
Lloyds Bank	357	+	13
Lloyds Chem	194	+	9
P & O Defd	704	+	11
Racal Telecom	402	+	26
Rank Org	989	+	20
Reed Intl	439	+	12
Scot & Newc'l	378	+	10½
Smith (WH) A	350	+	16
Thames TV	523	+	8
THORN EMI	840	+	44
WCRS	305	+	9
Falls			
Eurotunnel Uts	848	−	66
Kode Intl	190	−	10
Sock Shop	93	−	11
PARIS (FFr)			
Rises			
UCB	328	+	23.8
Arjomari-P	2740	+	182.5
Promodes	3610	+	223.2
La Redoute	3900	+	233.2
Falls			
Eurotunnel	94	−	4.8
Roussel	1631	−	93
TOKYO (Yen)			
Rises			
Morita Fr Pump	1200	+	100
Osaki Elec	1600	+	130
Hitachi Elec	1500	+	100
Falls			
Daito Wool Spn	1030	−	60
Godo Shusei	2460	−	140
Meisei Elec	898	−	51

WORLDWIDE WEATHER

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder. † Noon GMT temperatures

Top Chinese companies investigated

By our Foreign Staff

INVESTIGATIONS into two of China's best known state-owned companies were announced last night by the country's ruling politburo. It also announced the break-up of a corporation closely linked to the son of Mr Deng Xiaoping, the country's paramount leader.

State television reported that a special meeting of the Communist Party politburo announced a seven-point programme of changes designed to end privileges for party leaders and their families, and to address popular concern about corruption in the leadership.

The campaign includes investigations into Everbright Industrial Corporation, which has made significant and sometimes controversial investments in Hong Kong, and the China International Trust and Investment Corporation (Citic), the investment arm of the Chinese Government.

Citic has been behind most of the country's large foreign investments and has been active on world bond markets. However, Citic staff were prominent during the pro-democracy protests, which were crushed last month.

The politburo also ordered the break-up of the Kanghua Development Company, which has had as its figurehead Mr Deng Pufang, the handicapped son of Mr Deng and the head of the China Welfare Fund for the Handicapped, under whose auspices the company was established. The Chinese media has suggested that the company has evaded taxes and been guilty of corruption.

Corrupt officials were warned that they would be dealt with harshly, and spouses and children of "high officials" were given until September 1 to resign from jobs in goods distribution companies.

American Express Continued from Page 1

Safra is charging L'Hebdo, a Swiss weekly, with defamation.

A spokeswoman for the bank said a "fundamental change in the tenor of media coverage" of Mr Safra became perceptible some 18 months ago.

Mr Robinson referred in his letter of apology to media stories which had appeared "in various parts of the world" following action taken by American Express representatives.

American Express is paying at Mr Safra's request $1m each to the United Way of America, the Anti-Defamation League of B'nai B'rith, the Geneva cantonal hospital and the International Red Cross.

This latest twist in the long and highly chequered relationship between the US company and the Lebanese-born banker stems from Mr Safra's return to Geneva in March last year, when he set up a branch of Republic National in direct competition with Trade Development Bank (TDB), the private banking operation which he had founded in 1956 and sold to American Express for $520m in 1983.

The understanding then was that Mr Safra would continue to use his long experience in private banking to help the US company develop TDB. But working styles clashed and Mr Safra resigned in 1985.

He stuck to the undertaking he had given at the sale of TDB not to compete with American Express in Switzerland for five years, but local bankers say he recruited 23 TDB personnel when staffing the Republic National's Geneva branch.

An already uneasy relationship deteriorated further.

Mr *Safra*, a shy man of well-rounded, imposing girth, who will be 57 next month, comes from a long generation of bankers, now principally established in Switzerland and South America.

A Brazilian passport-holder, he set up Banco Safra, his first bank in Brazil in 1964. With TDB he quickly built up an outstanding record for looking after the wealth of the super rich – from the Middle East, South America and from the US.

His banking philosophy is conservative, he places funds mainly in money market paper, his banks are highly capitalised and his customers credit him with an uncanny feel for movements in financial markets.

Inevitably, his success is envied.

Water flotation Continued from Page 1

agreement is reached with a few, but not with the majority.

Mr Howard, backed by his new boss, Mr Chris Patten, Environment Secretary, is determined to keep water price increases as near to single figures as possible. He has proposed K figures about 3 to 5 per cent above inflation.

The industry is arguing for a range of Ks from 5 to 10 per cent to pay for the substantial capital expenditure programmes necessary to meet higher government and European Commission quality standards.

The Government's key proposal is to keep the K figure low, but to allow the water companies to increase their charges further by the cost pass through arrangement. This will allow companies to charge extra for costs that cannot yet be estimated accurately.

The proposed balance between the K charges and cost pass through is considered unsound by the industry as it would make the privatised companies too reliant on borrowing.

A successful November flotation of the industry, estimated to be worth from £5bn to £7bn, is important for the Government as it will affect sentiment for the much larger sale of the electricity industry

Weekend FT

SECTION II

Weekend July 29/July 30, 1989

IN SOVIET central Asia, an ecological catastrophe is crippling and killing nncounted thousands of people: in some ways, it is a disaster greater than the nuclear fire at Chernobyl. And without urgent and sympathetic handling by the Kremlin, the pollution-borne plague could become a trigger for a nationalist revolt in the Moslem republics colonised by Russia 100 years ago. It is another grave political test for the beleaguered Mikhail Gorbachev.

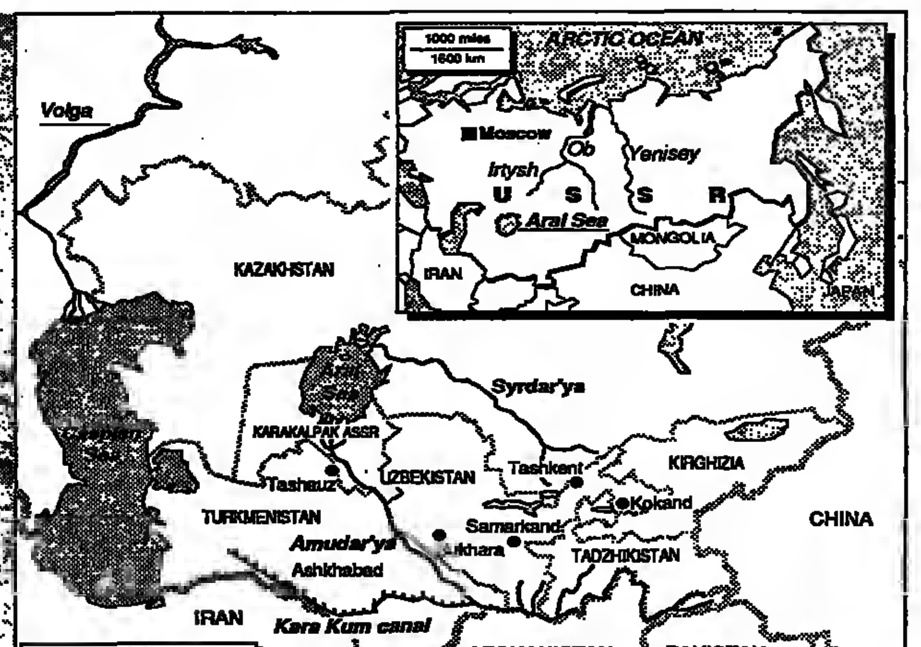
As tha true scale of the disaster emerges, uncovered by a newly-inquisitive press and emboldened scientists, the central bureaucracy is running out of scapegoats. Although activists in the region have not said so too loudly, it is clear they believe the Soviet system itself is the culprit. The hnbris of Moscow's economic planners has brought its nemesis, visiting death and disease on the people of a vast region. A member of the state commission for science and technology told me thet the worst of the disaster was still to come.

The cause of the catastrophe can be summarised in one word: cotton. For years, huge overdoses of chemical fertiliser, pesticides and defoliants have been poured on the cotton fields. The chemicals have seeped into the water supply, poisoning tens of thousands. At the same time, great quantities of water have been siphoned from the region's two main rivers, the Amndar'ya and the Syrdar'ya (the Oxus and Jaxartes of classical times), for irrigation. Starved of water, the Aral Sea is disappearing. On the mudflats left behind lie millions of tons of salt and chemicals which, picked up by the wind, float in deadly dust-clouds to destroy crops and poison the land for hundreds of miles around. Even the climate of the region has changed. When I asked Oraz Ovezgeldevicb, the mild-mannered president of the Academy of Sciences in Ashkhabad, Turkmenistan, to describe the situation, he said it was "very aggressive." A local journalist with whom I spoke used the word "mortal."

In the Karakalpak region bordering the Aral Sea, two-thirds of the people suffer from hepatitis, typhoid or throat cancer, according to an article last month in *Socialist Industry*, an official Communist Party organ. It said 83 per cent of the children had serious illnesses. Andrei Sakharov, the famous physicist and liberated dissident, claimed a few weeks ago that more than half the children living near cotton plantations in Uzbekistan suffer from serious liver complaints and that most of the young men called up for national service are rejected as unfit.

Infant mortality in Soviet central Asia is as much as four times the USSR average, and on a par with the least-developed countries in the world. After years of concealing or fiddling the figures, local officials have admitted that the infant death rate ranges from 46 per thousand in Uzbekistan, to 58 per thousand in Turkmenistan, which probably has the worst health record in the Soviet Union. In some areas, more than one in 10 of the babies die in their first year — and the rate is increasing. Many are born with hideous deformities. Among people of all ages, cases of infectious hepatitis, jaundice and gastro-intestinal disease have multiplied, according to reports in the Soviet national press over the past 18 months. Malnutrition, anaemia and rickets have re-appeared and there is even talk of leprosy.

Almost more distressing are the reports of a more recent phenomenon. Increasing numbers of young women and girls are committing suicide by pouring oil over themselves and settling themselves alight.



Worse than Chernobyl

***Christian Tyler** in Turkmenistan uncovers an ecological disaster that threatens Soviet unity*

Officials have tried to explain these terrible acts of self-immolation as being the result of "feudalistic" practices. By that, they mean the pressure on girls to prove their virginity before marriage; to marry a close relative to avoid paying bride-price; to submit to wife-beating; or to have more children than they can manage — in other words, the remnants of a tribal, Moslem society. But that explanation is no longer seen as adequate. Instead, the suicides are being attributed to a life of ceaseless toil in the cotton fields, malnntrition, physical suffering, disease and downright despair.

The plight of the victims of the central plan is made worse by a lack of hospitals, clinics and qualified medical staff to run them. For so long as the real statistics were brushed under the carpet, there was no need for extra provision. But in Turkmenistan today, I discovered, there are special medical teams from Moscow attempting to fight the pollution plague.

A few facts will give some idea of the way in which a fragile terrain of oasis and desert has been abused to satisfy Moscow's demand for raw cotton. Some are taken from an academic anthology of the problem, *The Price of the Plan*, by Patricia Carley, to be published in Britain later this year.

An average of 30 kilos of fertiliser, containing one to two kilos of toxic chemicals, is applied to each hectare of agricultural land each year in the USSR. Up to 600 kilos, containing 30 to 50 kilos of poison, are dumped on central Asia's cotton crop. A powerful and dangerous defoliant called butifos, banned officially in 1983, was still being applied in 1987 "in order to use up supplies." It was outlawed finally after a campaign by the local correspondent of a national paper, *Literaturnaya Gazeta*.

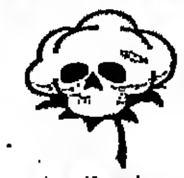
Nearly half of the water in the Amudar'ya river is channelled into the fields of Uzbekistan and Turkmenistan. An engineer I spoke with on the Kara Kum canal — the longest in tha world and built with convict labour — said the canal takes 10 per cent of the Amndar'ya's water. But the engineer, who is in charge of maintenance, seemed to know practically nothing about the ecological tragedy. A top Soviet scientist commented: "That is precisely the problem. Everything has been kept in separate boxes."

In drier years, the Amudar'ya does not even reach the Aral Sea. The Syrdar'ya has not really reached it for 18 years. The level of the Aral has fallen by around 15 metres and its area has shrunk by about half in the past 30 years. Fishing villages once on the shore are now between 20 and 50 miles inland. The salinity of the water has risen from 10 to 23 per cent — in some parts, to 44 per cent. Twenty years from now the Aral could be only a small, briny swamp in the middle of a salt and chemical desert.

Eight or nine times a year, a dust storm swirls overhead, dropping 5m tonnes of salt, sand and dust on central Asia. A *samizdat* (clandestine) document sent to Paris described the scene in almost biblical terms: "The sky is covered by a salty curtain, the sun becomes crimson and disappears in the salt dnst. In that oblast (province), not one tree grows on the land. The livestock are perishing. The people are also getting sick and dying."

Nature is taking its revenge on man for his monomania — in this case, for his obsassive cultivation of cotton at the expense of almost everything else. So meat, fruit and vegetables, as well as drinking water, are in short supply.

Cotton is is is an important crop in a nation where synthetic fibre production is underdeveloped, and it earns valuable hard currency in export markets. The Russians call it "white gold." Central planners in Moscow no doubt calculated that, by massive irrigation, they could simultaneously develop their backward southern empire, provide enough jobs to keep the indigenous people quiet, and serve the mills of European and Siberian Russia. Almost all the raw cotton is sent north for processing and the five-year plan calls for still more irrigated acres.



THE SHEER scale of socialist investment and achievement can be seen by anyone who flies over the region: long lines of collective farms reaching out into the reclaimed land of the desert. But the central planners seem to have been ignorant of the old nomadic proverb: "Water brings life, but also death." Their plan set quantitative targets, not qualitative ones. The result was that fulfilling the quota became an obsession, leading — as *Literaturnaya Gazeta* put it — to "the dictatorship of a single crop." Children are still called out of school to work in the cotton fields and grow up having missed about a third of their edncation. Probably because the plan provided the wrong incentives, quality and yields started falling earlier this decade. Meanwhile, China emerged as a powerful international competitor.

Moscow has accused local leaders of ignorance, mismanagement and corruption. President Gorbachev himself has criticised Uzbekistan for squandering water and not pulling its weight. But the intellectuals of the region — especially writers and scientists — are less and less willing to let the citizens of central Asia take all the blame. Increasingly, they imply that the plan itself creates waste and invites corruption among officials trying desperately to hide their failure to meet impossible targets.

The ordinary people in the affected area — abont 35m of them — may only now be starting to realise how much cotton-slavery has diminished their lives. They are certainly unhappy about the propaganda which suggests their hardship is their own fault.

The indigenous Moslem population of these republics has been increasing by 3 per cent a year, a rate that terrifies the slow-breeding Slavs to the north. But the suggestion made by officialdom — that large families are the cause of the region's extraordinary ill-health and water shortage — cannot be sustained for long. Such propaganda makes the work of family planners even harder. It is hard enough to persuade parents that spacing children is a prudent measure and not a discriminatory, undercover way of controlling the increase of minority races in the USSR. (Even if the policy were not controversial, the means are lacking. So scarce are intra-uterine devices, the most acceptable method of birth control to Turkmen women, that they cost 120 roubles on the black market against an official price of 50 kopeks.)

Understanding of the ecological disaster is spreading, however, helped by writers and poets — people who, traditionally, have had great influence in central Asia. Writers have set up a Save the Aral Sea fund at a bank in Tashkent; among the contributors is a Soviet cosmonaut. These people are less likely to be suppressed than, for example, the villager who started a similar fund, travelled round with a placard and ended up in a psychiatric hospital.

The environmental crisis in Soviet central Asia has been recognised officially by the creation of a special commission in Moscow. "In theory, the question is settled. But we must put it into practice," said the president of the Turkmenistan Academy of Science. Some of the more far-fetched solutions have been rejected. A long-standing scheme to divert the waters of such Siberian rivers as the Ob, Irtysb and Yenisey, and channel them soutb to the Aral Sea and the desert, was cancelled by Gorbachev after years of controversy about its cost and environmental consequences. But some local scientists still hanker after the idea. Another suggestion was to break up the glaciers of the Pamir and Tian Shan mountains with nuclear explosions.

A few, more practical, measures have been introduced: irrigation controls, water pricing, and schemes to exploit the subterranean reservoirs of water that lie under the desert. If the money were available, a lot could be done to modernise tbe inefficient irrigation system — lining canals, laying pipes in place of open channels, using sprinklers instead of ditches, introdncing computer-controlled sluices. One scheme involves building a new canal alongside the Amudar'ya to reclaim the water after use. The trouble is that vast quantities of fresh water are needed to wash the land already made saline.

The solution will probably have to cut very mnch deeper than that, thongh. So long as the cotton-growing republics remain vassal suppliers of raw materials for Russian industry, it is difficult to imagine them achieving the equilibrium they need to get their people out of the mire. At present, Turkmenistan keeps only 2-4 per cent of the value of the cotton, oil and gas it sends to the rest of the Soviet Unlon and abroad via Moscow. Its payment comes in the form of infrastructure projects. Tuvakbibi Amangeldiva, deputy chief minister of Turkmenistan, told me that Gorbachev's economic reforms mean the republic will soon be able to keep 40 per cent of the revenue. But the all-important question of price has still to be settled. No doubt many of the region's people feel it is time they were set free from the central plan, paid a proper market rate for their produce, and allowed to develop their own economy at their own, sustainable rate.

Gorbachev has shown himself the bravest of leaders in opening the Pandora's Box of chronic ills that is the Soviet economy. He bas faced the public consequences of Chernobyl, other man-made disasters and a country-wide miners' strike without giving np his hopes of reform. In central Asia itself, be has witnessed this year the worst ethnic strife in the Soviet Union's history, sparked partly by economic grievances (and perhaps by more sinister forms of official discrimination).

But if the people of central Asia admire Gorbachev, they seem to have little faith in his ability to deliver results. The last thing he needs is for their plight to become the cause that unites the Turkic, Moslem races round a single banner of revolt. He could be forced to admit that the disaster is the fault of the Soviet system itself, not merely of the people who administer it — much less of the countless thousands whose lives are being ruined or ended prematurely by it.

The Long View

Managers too big for their boots

THE BLUE Arrow affair, you will recall, was originally abont an attempt to rig the share price of a company which had made an excessively ambitious and expensive takeover bid. Although the tactics of the County NatWest executives involved appear to have been unusually blatant, their objective was conventional enough. Propping up the share prices of acquisitive companies by fair means or foul is all part of the service offered by modern investment bankers.

Manipulation of the stock market in this way can be effective for a surprisingly long time. It helps to explain why the market can apparently give entirely the wrong signals about conglomerate-type acquisitions.

Events certainly present a confusing picture. On the one band, Sir James Goldsmith and his henchman are trying to "unbundle" BAT Industries, claiming that distinct businesses are worth more when they are set free. At the very same time, a company lika Boots is trying, through the proposed Ward White takeover, to expand horizontally into sectors of the retail trade about which it knows little or nothing. This, presumably, is the "bundling" process in action.

I take a fairly cynical view of all this. Most of these deals, whether involving acquisition or break-up, are driven largely by intermediaries seeking huge fees. All that really matters to the investment bankers is that there should be some activity in one direction or the other (or even better, in both directions at once). It is interesting to see that a few institutional investors are at last beginning to show signs of impatience with these antics. Mercury Asset Management and Sun Life this week voted gallantly, if unavailingly, against the Boots deal. But, for the most part, fund managers are still stuck somewhara betwaen acquiescence and apathy.

There are well-worn theoretical reasons why the fund managers should take a tougher line. It is their job to build portfolios and diversify their risks and their opportunities. If they had wanted to bny Ward White, they could have done so earlier this year at not much more than half what Boots is likely to end up paying. They want corporate executives to manage the company's existing assets better, not pre-empt the portfolio management function of the institutions.

On this argument, the companies should restrict themselves to proposing restructuring deals which involva genuine industrial advantages, or they should place a great deal more emphasis on greenfield investment in new projects which will create new wealth.

You might think that the more overtly empire-building proposals would be stopped in their track by a crash in the bidder's share price. If conglomeration does not add value

BARRY RILEY

Amid the drama of the Blue Arrow affair, the reasons for the original share price manipulation need to be remembered

(and actually, according to Goldsmith, erodes it), then the bid premium enjoyed by the shareholders of the acquired company should come off the value of the acquirer immediately.

One reason why it usually does not is, as I have pointed out, that the gentlemen of the City investment banks are paid large sums to arrange support. They are helped by the way the fund managers enjoy the fun and fantasy of the takeover game. Many of them hold both Boots and Ward White. Suddenly, they seem to have been given something for nothing in the shape of a bid premium — reflecting the scope for "synergy," as they used to call it. Why spoil things by selling Boots and driving down its share price?

The more fundamental problem, however, is the clash with management objectives. Tha more ambitious corporate exec-ntive is not content to manage a restricted pool of assets in what could well be a mature business. He wants to expand into more exciting growth sectors; and tha fact that his institutional shareholders may have obtained exposure to such opportunities through other investments will not help to make bim satisfied with managing, for instance, a dull chain of pharmacies.

It all depends on bow you view management. Yon can see it as a service which can be hired easily and combined with trading assets as necessary. Alternatively, you can regard it as a self-standing resource which must constantly be fed new resources and opportunities lest it should decline in quality. Who is the master and who is the servant?

Many managers see sharehnlders as a tiresome necessity, to be played off against other sources of capital as market conditions dictate. But some institutional investors still think they are proprietors, and consider that listed companies should be run to suit their particular objectives.

In practice, managers usnally win. Years ago, I remember Unilever buying a building materials company. Why was a soap and margarine giant getting into such a business? Well, it seemed that Unilever had the problem that a constant stream of burnt-out, middle-aged executives were returning home from the United Africa Company. What better solntion than to buy them a nice little company to run in their declining years.

A much bigger example along the same lines was BP's £400m acquisition of the mining gronp Selection Trust in 1980. Behind this was the fear that a declining oil industry would not for long be big enough to keep BP's mighty management machine occupied fully. So, the management needed to expand its own portfolio. (Howevar, big sales of nnn-nil assets by BP have shown that its thinking has changed again more recently.)

But far too many tottering corporate edifices have been built at shareholders' expense for managers to be allowed a free hand. All the blood spilt over Blne Arrow has, ultimately, been shed for the sake of a brilliant management team led by Tony Berry. Where are they now?

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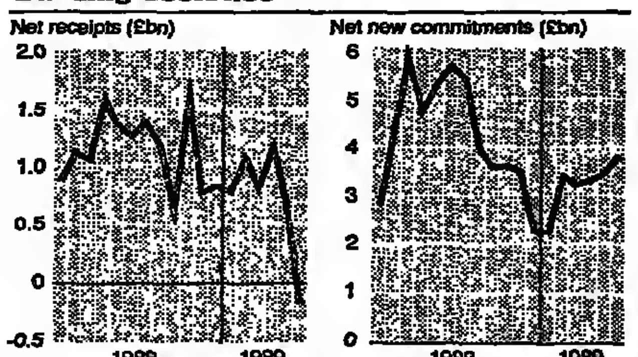
Building Societies



Building societies report net outflow of funds

The building sociaties reported a net outflow of funds to tha tune of £153m during Juna. It was tha first time in three years that there was a net outflow of building society savings. Normally there is a drop in investments at this tima of year because peopla take out thair money for their holidays. However, in addition to tha usual seasonal factors, the building societies witnessed withdrawals from small investors who needed the money for thair Abbey National shara purchases.

The last tima building sociaties showed a deficit was in September 1986, coinciding with the TSB ehare offer. However, Mark Bolaat, director-general of tha Building Societies Association, expects there to ba a "significant net inflow" of funds in July.

Although mortgage commitments increased from £4.496bn in May to £4.867bn in June, according to the latest figures, the level of new landing is much lower than in tha comparable month last year, when it reached £5.668bn. Normally, mortgage commitments increase in the spring and summer, but highar interest rates have meant weak demand for housing finance. Even so, the BSA claims that tha building societies are still increasing their share of the mortgage market. *Sara Webb*

Bonus offer for travellers

Girobank customars who order more than £150 in travellers cheques or foreign currency before September 30 ara entitled to a free set of holiday discount vouchers worth more than £50. These antitla you to discounts on Avis car hire abroad, and other holiday outlays such as film processing. Girobank charges 1 per cent commission on travellars cheques and foreign currency orders and has a minimum charge of £2.50. *S.W*

'Saints' launches four PEPs

Scottish American Investment Company (Saints) is launching e special investment trust PEP that will be managed by Stewart Ivory. It will taka advantage of the recant government concession that allows £750 to be invested in non-qualifying investments (overseas shares) and the balance will be spread among UK ehares.

There is no initial charge for investors putting money in befora January 31 next year or those already owning at least 1,000 shares in Saints. Annual managemant fee is 1.25 per cent, but Saints should be abla to obtain competitive share daaling retes by dealing in bulk.

■ A Green PEP is being introduced by tha Bradford & Bingley Building Society from Monday. It will invest only in companies that are doing something positive to protect the anvironment. There ie an initial charge of 3.5 per cent, and a halt yearly management fee of 0.5 per cent. *John Edwards*

Skandia aims for new market

Skandia Life has already decided on the future of its recently acquired life company, Framlington Life Assurance. It is becoming tha base for Skandia'e penetration of tha fee-based independent financial adviser market.

Chief executive Paul Bradshaw tekes the view that fee-based advisars will not be confined solely to accountants and solicitors. He balieves that tha various changes brought about by the financial services raguiations will result in the number of IFAs shrinking, but that those advisers left will be far more professional and will be *concentrating on higher net worth clients, where* peying fees will become tha norm.

He feele that channelling this business through a separate company, appropriataly renamed Professional Life, with its own products, systems and possibly inspectors is more efficient that trying to incorporete two operatione — fee-psying and commission-paying — within ona organisation. *Eric Short*

LONDON

Pierced to the heart by Blue Arrow

SELDOM DO the City and Westminster share the same preoccupation. But this week, the matter of whose head was set to roll has absorbed both.

For the politicians, the question was prompted hy a Cabinet reshuffle — and carried in its wake the partial reassurance that *as many* careers would be made as broken in the process. For the City, it has been the altogether more distressing and parochial matter of the Blue Arrow scandal.

As the fall-out from the Department of Trade and Industry report into the £837m Blue Arrow rights issue two years ago continues, three *directors and the chairman* of National Westminster Bank, Britain's largest clearer, paid with their jobs. This was in addition to the departure of some of the more immediate players involved from both County NatWest, Blue Arrow's merchant bank, and stockbrokers Phillips & Drew.

Faced with these major upheavals, and denied any significant new corporate activity, the stock market itself was content to take second billing — but to conclude that this reflected a dull and dreary show would be a mistake. As e series of broadly comforting economic indicators unfolded, the FT-100 Share Index climbed almost unnoticed to a post-Crash record on Friday. After easing back a few points at lunchtime it ended the week in cracking form, breaking through the psychologically *important* 2300 barrier

Thst said, it was not all plain sailing. The week started on e downbeat note with Footsie losing almost 24 points on Monday and volume levels — SEAQ showed 357.9m shares traded — almost as torpid as the climate.

There were various reasons for this loss of heart. On the oue hand, the now-familiar spectre of the monthly trade figures loomed mid-week, with a report on industrial trends from the Confederation of British Industry to be negotiated a day earlier; and, in the wake of the BBC and police pay settlements, cost-push inflationary fears were quickly to the fore.

However, the CBI's quarterly survey proved to be roughly what the market wanted to hear. Although it pointed to the lowest level of business confidence for nearly seven years, suggesting that investment plans were being substantially reduced and that demand was falling off, there were also suggestions that the growth in output remains relatively healthy, with more hopeful noises on the export front.

That at least seemed to offer further evidence that the Government's policy of high interest rates is *finally* hitting demand — although the question of whether this is taking the UK dangerously close to e mini-recession remains unanswered.

The trade figures, released on Wednesday, *also seemed* to point to a further improvement on the economic front. The current account deficit ran out at £1.5bn in June — very much in line with expectations — and although this topped the £1.3bn seen in May, last month's figure was complicated by the unofficial dock strike. Better still, there were signs that the growth in consumer goods imports hsd ceased, while exports continued to expand. The pound rallied on the news, rising from $1.6265 to $1.65 in London.

With business depleted by the British Rail and Underground strikes, the news failed to ignite the market on Wednesday itself — although, having been down by 11 points ahead of the trade statistics' publication, Footsie eventually *rallied to show a net loss of 4.9* points.

But on Thursday and Friday, the tone was considerably firmer, helped not a little by Wall Street's strength. At one stage on Thursday, Footsie's gain stretched to 23 points, before being clipped back to 19 points by the close. Pharmaceutical stocks were well to the fore in the wake of another large merger in the industry, this time between Bristol-Myers and Squibb in the US. On Friday, after pausing for breath at lunchtime, Footsie had added another 11.5 points by mid-afternoon and had doubled this by the close.

Whether the mood holds is a moot point, and one which may depend on the extent to which further corporate activity sustains the market. There is certainly a school of thought which believes that, on fundamental grounds, prices look over-generous at present. The level of pay settlements may continue to create concern, and the corporate reporting season could add a sobering note of industrial/economic reality amid the bid hype.

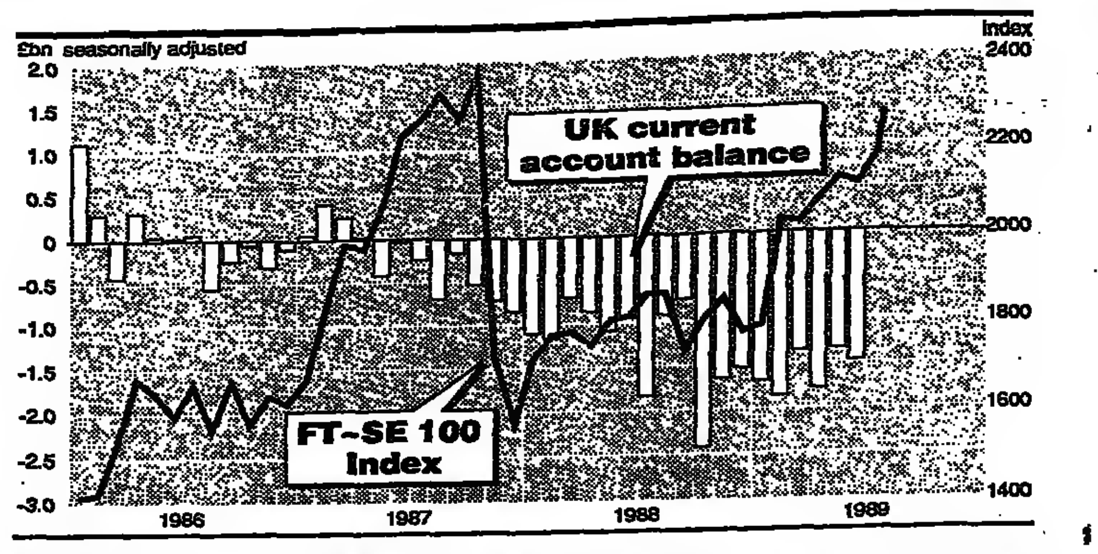
Conversely, there is still a dearth of new issue activity and the picture on the interest rate front does look more reassuring — even if any reductions still are a long way off. In short, then, perhaps some profit-taking lies ahead, but the market may yet be spared a real summer slump.

On the bid front, the past five days have been e matter of anticipation rather than vast activity. GEC-Siemens appear to have cleared the terms for a fresh assault on Plessey with the Ministry of Defence; many suspect that the new bid could arrive this week. Meanwhile, the £13bn battle between BAT Industries and Hoylake, the consortium vehicle for Sir James Goldsmith and friends, still awaits the publication of the bidder's formal offer document. A sense of ammunition being gathered hangs heavy in the air.

Meanwhile, the corporate reporting scene contained no great horrors. An 18 per cent rise in ICI's interim profits at £925m and the shares nudged higher on the news, although the market's cautious *rating for the* group remains. Lloyds, however, kicked off the clearing bank reporting season with news of further Third World debt write-offs totalling £464m. However, with these stripped out pre-tax profits were £557m (£477m) and there was the cheery sight of e 16 per cent interim dividend increase.

That was enough to send Lloyds shares 7p higher at 351p, and the other clearing banks *joined* in the rally. Even NatWest sported a 15p gain at 327p — some consolation, at least, in these dark days.

Nikki Tait



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989 High	1989 Low	
FT-SE 100 Index	2306.0	+23.0	2306.0	1782.8	Wall Street's firmness.
Automated Security	270	-26	313	233	Acquisitions / £73m rights issue.
British Gas	201½	+6	203½	156½	Switching from BP/Shell.
Dalgety	434	+25	435	302	Rumours of Harrisons & Crosfield bid.
Eurotunnel Units	848	-105	1172	376	Worries over costs & financing.
Goldberg (A.)	175	+16	208	157½	Blacks Leisure bid speculation.
Hickson Intl.	288	+21	288	195	Int. figs. due Aug. 10 / bid spec.
Jaguar	389	-17	424	264	BZW slashes profit forecast.
Lowndes Queensway	33	-6	54	29	James Capel lowers profit forecast.
Rentokil	390	+42	390	227	Citicorp 'buy' recommendation.
Reuters	842	+57	842	506	Japanese demand.
STC	363	-28	394	261½	Profit-taking.
Thames TV	523	+30	523	360	Talk of bid from Carlton Comms.
UK Paper	260	+18	262	179	Broker upgrades asset valuation.
WPP	679	+24	703	497	Presentations to US investors.

WALL STREET

There's only one way to go

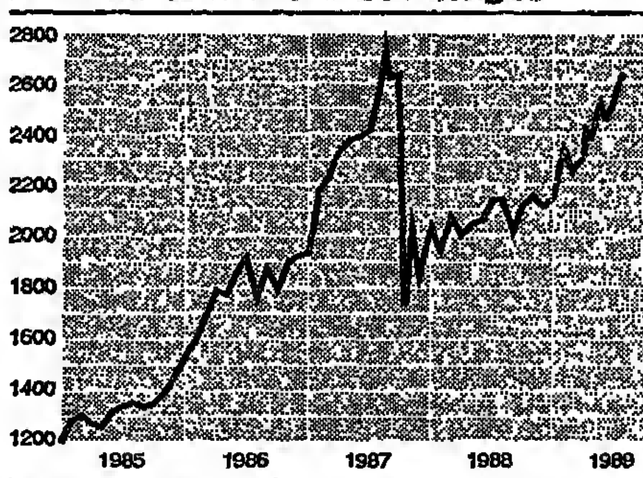
IT TURNED out to be a false alarm. For e few anxious hours in the immediate aftermath of Alan Greenspan's testimony to the US Congress a week ago, it looked as if the Federal Reserve chairman might actually be willing to risk a painful economic downturn in his zeal to subdue inflation. By Tuesday afternoon, it was apparent that no such risk was in sight.

After the edgy talk about recession that had crept into the weekend's economic and financial discussions, the Fed moved decisively to cut interest rates on the thin pretext of e smaller than expected rise in durable goods orders.

Even the bulls were surprised by the alacrity of the central bank's generous action. The July employment figures, due out next Friday, had been pinpointed by most commentators as the earliest plausible opportunity for the Fed to cut rates.

With the Federal Funds rate trading down to 9 per cent for the first time this year, the bond market firm and the dollar still buoyed up by the foreign exchange dealers' irrepressible faith in the American Dream, there was only one way for the market to go — and that was up.

Dow Jones Industrial Averages



In retrospect, Greenspan's appearance in Congress was just the catalyst the market needed to overcome the records set two years ago, before Black Monday. As it turned out, the testimony changed nothing in terms of economic fundamentals. Tuesday's monetary easing proved that the central bank remained committed to e soft *landing of the economy, with* the stress very much on the "soft," rather than the "landing."

In other words, the Fed would try to ensure that economic growth remained gentle enough to prevent inflation from escalating; but that the austerity would stop short of outright economic discomfort. Nevertheless, Greenspan's testimony, with its warnings that "policy mistakes could trigger an economic downturn," injected just enough anxiety into the market's thinking to produce an explosion of relief when the Fed demonstrated on Tuesday that it was really on the market's side after all.

On Wednesday this week, as the Fed's easing was confirmed by a sharp fall in money market interest rates, the Standard & Poors 500, the most important index of stock prices used by fund managers in their performance assessments and portfolio allocation models, jumped 4.17 points to a record closing high of 338.05. The previous record, set on August 25 1987, had been 336.77. With that high breached decisively, and a new record set on Thursday, there seems to be only one obvious ceiling now for the market's advance.

The Dow Jones Industrial Average still trails some 3 per cent below its 1987 record of 2722.42. With its narrow representation of only 30 stocks, the Dow is not a very rational yardstick for the whole US stock market. Indeed, the Dow's laggardly performance can largely be attributed to the declining fortunes of a single company — IBM. If IBM were now trading at its 1987 peak of $176, instead of yesterday morning's quote of $114, the Dow Average would be above 2,700 already.

Nevertheless, the Dow's psychological importance cannot be disregarded. A historical curiosity is worth recalling. In the late 1960s, the period which most resembles the present one in terms both of stock market performance and economic background, there was s sharp decline in stock prices (in 1966, in fact) bearing many *similarities* to the 1987 "meltdown."

This was followed by a 26-month recovery, which took the S&P 500 in December 1968 hriefly above its 1966 record. The Dow, however, never quite *managed to top the high it* had reached in February 1966. After a few months of testing the 1966 Dow record, the stock market began to decline — slowly at first, but later quite abruptly, amid the gathering *signs of the recession which* began in late 1969. The bear market did not hit bottom until 18 months later, with a decline from peak to trough of 35 per cent.

Of course, this sequence of *events is unlikely to be* repeated exactly in the present market cycle. For one thing, the Fed may work harder to avoid a recession in 1990, which is an election year, than it did in 1969, which was not. Its job will be made considerably easier by flexible exchange rates, which would allow the US to devalue its way out of a slump — an option that did not exist in the 1960s.

Turning to the market's internal dynamics, the buying momentum is now probably strong enough to carry the Dow past its 1987 high, regardless of what may or may not happen to the economy by late 1990. Nevertheless, there are signs that the rally could soon be turning into a bullish stampede. Already there are predictions that the second anniversary of the Black Monday "meltdown" could be marked with a burst of programme-driven panic buying, jokingly dubbed a "melt-up." At times like these, it is worth dusting off the cautionary tales from the past.

Monday	2584.98	− 22.38
Tuesday	2583.08	− 1.90
Wednesday	2613.05	+ 29.97
Thursday	2635.43	+ 22.38

Anatole Kaletsky

JUNIOR MARKETS

Let's hear it for Potswoof

THE SO-CALLED "silly season" for newspapers is almost upon us, and a mood of holiday levity appears to have spread to the Third Market as well with the launch of a new vehicle for a clutch of children's cartoon characters.

Leisure companies may be all the rage, but to be asked to decide whether Potswoof the dog and his four young friends, Brainy, Plum, R.T. and The Fizz — never yet exposed to the public eye — will catch on or not is quite another proposition.

Clients of stockbrokers Brewin Dolphin were asked to do just that this week when it placed 7m shares in Sleepy Kids, the company formed to exploit the characters, giving it a market capitalisation of £4m.

Summed up by Martin Powell, its creator, as "the ultimate bedtime story," Sleepy Kids will initially be launched via e 26-episode TV series which is poised to go into production in conjunction with Hanna-Barbera, the US animation house of Tom and Jerry and The Flintstones fame.

If that succeeds, it is argued that a host of other marketing opportunities will open up, and the company has already begun negotiating character merchandising and publishing licences.

Novel as Sleepy Kids may sound, it is in fact the second children's cartoon characters new issue to appear on the Third Market this year. Powell admits thst his decision to join was partly inspired by the example of Poddington, which floated in January.

This company owns the rights to the Poddington Peas, a family of characters with names such as Grump-Pea, Sleep-Pea, PC Pod, and a range of other adjuncts to the word Pea, who live in an imaginary village overlooked by Creepy Castle. As with Sleepy Kids, its prospects hinge on e series of cartoons, in this case designed for screening on British television.

There has been virtually no public information on progress since the company was launched, yet the shares, placed at 20p, have soared to more than 90p: a measure, perhaps, of the determination of the initial shareholders to hold on to them and see the project through.

However, the emergence of these two companies does not necessarily show that there is a sub-culture of children's cartoon enthusiasts among Third Market investors. The impetus is rather that their founders discovered they had virtually nowhere else to go.

Both companies emerged out of individuals having good ideas and wanting to hang on to them, rather than take the more usual route of selling out to a publisher or broadcaster as soon as it shows any signs of success.

Poddington was created by a 31-year old writer called Paul Needs to amuse his children. Powell's wife's own dog, Potsworth, was the inspiration behind the cartoon animal of unusual powers who looks after the Sleepy Kids on their magical adventures.

Powell, who together with his wife holds 65 per cent of the shares, says earlier discussions with private investors foundered. These people both wanted a bigger slice of the equity and a fairly quick exit route. Venture capital organisations were not interested, and film finance departments did not deal with projects of this type.

Despite the similarities, Poddington and Sleepy Kids also differ markedly.

Sleepy Kids has committed itself to the US market and to Hanna-Barbera. The agreement is that it is to provide out of the placing proceeds a maximum of £1.4m towards the production costs.

Apart from the first $250,000 of any revenues generated in the UK, all other revenues from exploitation of the series worldwide will be shared on a 50-50 basis with the US company, which will also jointly own the copyright to any new or spin-off characters created during production.

Poddington, in contrast, is geared to the UK market: the cartoon series is designed to fit into the specifically British five-minute TV slots. It is expected to announce soon that the first cartoon will go on the air in the autumn.

These companies have no trading records and prospects hinge on whether they can be merchandised to generate significant revenue within a short period of time.

The immediate considerations for investors are first, whether the characters will obtain airtime at all; second, whether they will get enough of it; and — most important — whether they will appeal to the juvenile viewer even if they do.

Arguably, however, the launch of ventures such as these shows that the Third Market is, after all, performing just the functions it was set up to carry out.

Founded in January 1987 with companies too young or too risky to meet the criteria of the Unlisted Securities Market, it has in the main singularly failed to attract greenfield companies. This is usually blamed on the dauntingly onerous responsibilities placed on the stock market sponsors of such ventures.

However, et least, in contrast to the handful of hi-tech and resources exploration companies that have managed to climb as start-ups on to the market, investors can readily take a personal view on the appeal of the cartoon characters...

Clare Pearson

Boots treads carefully as bid doubts surface

HOSTILE BIDS are always combative affairs, but this week one aggressor faced rather more opposition than it had bargained for.

Boots, which has offered £800m for Ward White, found that Mercnry Asset Management, its largest institutional shareholder, voted against the board at the meeting held to approve the bid.

This unusually pnblic protest may raise a number of doubts in the minds of other shareholders. If Boots' bid is seen as risky, what are the implications for its own shares? And what, if any, influence will City disquiet ebout the bid heve on the performance of Ward White shares?

There are several problems with Boots' offer, according to the critics. They are worried that Boots will lose its striking defensive qualities and become more vulnerable to economic swings. Chemists' shops and pharmaceutical businesses are bywords for stability. In contrast, Ward White, which depends on the DIY and car repair market, may be vulnerable to cuts in consumer spending.

Furthermore, there are doubts that Boots has the management skills to cope with soch different areas of retailing. Its strengths lie in high street shops boasting e very strong brand name — a rather different proposition from Ward White's out-of-town stores.

In addition, there are worries that Boots is simply paying too much and risks diluting its assets.

Boots cannot shrug off these criticisms entirely. However, it hes a strong retionale for making the bid. Its chemists business is mature and it needs to get into new growth areas. DIY, home decoration and car parts are seen as large and fast-expanding markets and Ward White is well positioned with Payless, A G Stanley and Halfords. The US car parts businesses would, says Boots, be sold.

Furthermore, Boots believes that it can bring to bear its expertise in computer systems, warehousing and distribution. Boots is particularly proud of its programme of redesigning stores, controlling costs and using electronic-point-of sale technology to improve stock control.

Another putative reason for the bid is that Boots' businesses are throwing off cash and the company might find that it is vulnerable to a takeover itself.

The City is in two minds about the likely outcome. So far, institutions bave been haunted by memories of selling out too early in the Gateway saga. Gateway turned into a full scale auction and those who sold their shares at the outset felt they had missed out quite badly.

Ward White shareholders are now mulling over a number of points. Is Boots likely to raise its £4-a-share offer, or will it be deterred by the worries expressed by its major shareholder earlier this week? *Is anyone else, perhaps a* company directly involved in DIY retailing, likely to enter the bidding? Is Philip Birch, chairman of Ward White, *likely* to launch a buyout of his own?

On balance, Nick Bubb, an analyst at Morgan Stanley, believes that investors should start to take profits on Ward White. He thinks that the chance of any other bidder intervening has been lessened by the possibility of other targets resulting from the break-up of BAT, even though he believes that Boots could afford to pay up to £4.60 a share without earnings dilution.

In contrast, however, Charles Nicols of Philips & Drew believes that the shares should be held. He acknowledges that the case for selling the shares in the market has been strengthened by the events of Monday's extraordinary general meeting. However, with the shares at £4.40, he thinks that the downside of at most 10 per cent is well worth risking.

Chris Dickman of Smith New *Court,* would also advise holding on to Ward White shares at the moment, although shareholders should not be too ambitious, he says. He feels that Philip Birch is unlikely to want to launch a buyout himself. "I would read the Ward White management as ostensibly arguing fiercely for independence but actually looking to maximise the exit price," he says.

When it comes to Boots' shares, too, the City's opinion *is mixed.* Chris Dickman thinks that Boots' outperformance of the market is over. If Boots succeeds, he reasons, it will be a long time before it can prove that the bid is a success. If it does not succeed, uncertainty may depress Boots' shares as the stock market worries about what target it will next pick upon.

The opposite view is held by Nick Bubb. If Boots wins Ward White, he believes that it could *make a roaring* success of the acquisitioo. He points to the way Boots has won round the sceptics concerning its acquisition of Flint Laboratories, the US pharmaceuticals company it bought in 1986 amidst volleys of criticism that it had paid too much.

If, however, Boots fails in its acquisition, it could be vulnerable to e bid itself. "Whatever happens, Boots is undervalued," he says.

Vanessa Houlder

£2bn operation is under threat, reports **Eric Short**

SIB's axe hovers over broker bonds

AN ENORMOUS questinn mark hangs over the future of hroker bonds following the publication this week by the Securities and Investments Board (SIB) of its latest proposals* to regulate the marketing of such investment products.

The concept of broker bonds looks good on paper. With a broker bond, an adviser has complete discretion to operate a separate fund within a life company which invests in one or more linked funds managed by the company: he uses the switching facility to move the investments between the various funds on behalf of those clients in the bond. In this way, the independent adviser is providing both an investment advisory/management service and the consequent administration service on behalf of his clients.

The proclaimed advantage of an individual investing in a broker bond, rather than in the managed funds of the life company or in a fund of his own choosing (and doing his own switching), is that the bond will provide investors with a better return. The advisor can provide the necessary investment expertise, and can perform the switching more easily and cheaply than could the individual, by having special arrangements with the life company.

Of course, this expertise and service must be paid for. The charges on broker bonds are higher than for the corresponding managed funds or direct holdings.

There are now more than 3,000 broker funds in operation, run by 50 life companies, with a total value of soms £2hn under management. However, both the Department of Trade and Industry and the SIB are concerned deeply abont the operation of the bonds and the abuses that have arisen.

The DTI is concerned that advisers and their clients could receive favourable treatment over the terms of the bonds, particularly tha creation of units and the prices at which switching deals are made.

Life companies invariahly offer hroker hond facilities only if the adviser can persuade enough clients to take up and maintain their investment in the bond – and this invariably affects the pricing and the marketing. First, large amounts of money are involved when switching takes place, often representing a substantial part of the underlying fund. As a result, the life company has to buy or sell underlying assets. Yet, many life companies allow switches to be made on historic prices, which sometimes are very old prices.

It is not unknown for traditional life companies to use their with-profits fund as a parking lot for units in the funds involved in hroker bonds, so as to avoid awkward price movements. Such situations provide investors in broker bonds with favnurable treatment at the expense of other people who have invested their money with the life company concerned.

Section 31A of the 1982 Insurance Companies Act already requires insurance companies to make sure that transactions affecting assets of the company do not nperate unfairly between tha different funds. However, the DTI proposes to strengthen this section with naw regulations. These will require that:

- The dealing price should be based on underlying values that are not more than two hours old. If the market is moving or has moved significantly since tha valuation, then a new price must be calculated before making a switch or deal.
- If a transaction would result in the fund having to buy or sell assets, then the sale price must be either the bid price (if selling is involved) or the offer price (if buying is involved).
- Managers of these funds should determine the required level of liquidity so that the need to create or cancel large numbers of units because of a dealing order does not result in forced huying or selling of assets.
- Neither a with-profits fund, nor a linked managed fund run by the life companies, should accept or sell units of a particular linked fund unless the investment manager considers that such transactions would be in the best interests of the with-profits or managed funds concerned.
- Such internal dealings should be made on the basis of pre-determined criteria that are fair, clear and objective.

'Both the DTI and SIB are concerned about the abuses that have arisen'

These requirements prevent the life company from using the with-profits or managed fund as a box for units in its other linked funds, and directors would be required to certify in the annual accounts of the life companies that these arrangements had been complied-with.

Life companies are unlikely to argue over the principles of these proposals. Indeed, for many companies it will make no difference to existing practice, except for the annual certification. The DTI is, however, also concerned abont poor invastment decisions that could arise because the financial adviser (or whoever is delegated to handle the broker bonds) does not have sufficient investment competence.

Although checking the competence of advisers falls within the field of the financial regulatory organisation – usually Fimbra (the Financial Intermediaries, Managers and Brokers Regulatory Association), the DTI nevertheless considers that this does not absolve the life company when it comes to satisfying itself as to the competence of any adviser or nominee. However, it is difficult to see how a life company can reject – allegedly for not having the required competence – any person who is authorised under the financial services regulatory system.

The DTI's proposals in themselves will not bring about the demise of broker bonds – that threat comes from the SIB where officials have never hidden their disquiet over the whole concept of such bonds because of the lack of transparency and accountahility. In particular, the SIB feels there is a conflict of interest when an independent adviser claims to be impartial and then offers an investment which he manages, and from which he derives an income on account of the management service provided.

The SIB admits freely that previnus attempts to make sure that investors at least knew what they were getting from broker bonds, and what it was costing them, did not succeed. Advisers and life companies have been successful in avoiding disclosure of charges in a form that the client can understand – particularly when it comes to renewal charges. This makes it difficult fnr an investor tn jndge whether he is getting value for money from a broker bond.

So, the SIB now is attacking broker bonds on the grounds that they do not in general "add valne" to the underlying life funds; thus, financial advisers who recommend hroker bonds are not necessarily offering the best advice.

The SIB claims that it has undertaken an in-depth analysis of hroker bond performance which shows that, in general, they have not outperformed the managed fund of the life company. This analysis is in keeping with other performance investigations on hroker bonds. Given the importance of this subject, however, the SIB should publish details of its analysis and not just state the fact.

The SIB also attacks the other points put forward in support of broker bonds – the provision of a personal service and of a cheap and simple means of switching funds – and questions whether advisers themselves have the necessary investment expertise and resnnrcas tn make tha informed judgments necessary for picking and switching the investments. If the adviser does employ an investment expert, the SIB argues that the client is no longer dealing with the adviser but with a nominee who he has never meet and with whom he has not discussed his investments.

The SIB concludes: "In the light of experience to date, the board finds it difficult to assess what role, if any, broker funds can validly play within the investment scene given that they can involve investors being advised to assume the certainty of extra expense against the likely no prospect of commensurate benefit."

So what does the SIB suggest? Its proposals are set out in some very obscure wording which could be interpreted in rather different ways. However, it would appear that:

- Advisers promoting all new broker funds, or investing new money in existing funds, will have to justify that they have acted impartially and provided the best advice.
- Advisers claiming to be broker fund managers must prove to the regulators that they are behaving as managers and hava the expartise and resources to do so.
- Managers of existing broker funds would hecome the responsibility of the life company or unit trust manager.
- Life companies and unit trust groups will have to satisfy themselves as to the suitability of advisers appointed as managers.

A life company will no longer be able to promote broker bond-type funds to all and sundry. The SIB's document states that rules will be inclnded or amended to bring about these controls.

But the inescapable conclusion is that the rules will be so onerous that it will cease to be worthwhile to operate broker funds – unless life companies and advisers can demonstrate that broker bonds are justified (they have until October 14 to submit their comments).

This action seems draconian – on a par with reducing road accidents by banning motor cars. But while there is little doubt that the operation of broker funds needs to he improved, there are some good funds in operation which have given clients value for money. These should not be killed off because of the bad ones.

**Broker Funds and Broker Unit Trusts: Consultative Paper No 26, available from the Securities and Investment Board, 3 Royal Exchange Buildings, London EC3V 3NL. Price £10.*

Barry Riley on a life office's bid to demutualise

Britannia rules at FS

A 64-PAGE document thudded this week onto the doormats of the 34,000 voting members of FS Assurance, the small Scottish mutual life office which is seeking to demutualise and become the life assurance and unit trust arm of the Britannia Building Society.

Compared with the demutualisatinn nf the Abbey National Building Society, which had some 5m members, this is a tiny affair. Nevertheless, it has considerable potential importance as a precedent for what might be some much bigger life office demutualisations in the next year or two.

Some differences in principle compared with Abbey National are nbvious. Abbey adopted the approach that all members should get the same free issue of 100 shares regardless of the size of their investment. FS is taking the less egalitarian, but possibly more equitable, line that policyholders should be compensated in proportion to their assets in the company.

Remember, however, that there is no question of FS or even much larger life offices npting for a separate stock market listing like Abbey National. FS is being acquired, so compensation for loss of mutual rights will have to be in the form of cash.

The exact form of this compensation is, however, as obscure as you might expect from a typical life office, where business is run according to impenetrable actuarial rules. The relatively simple part is that £1.75m, representing the good-will value of FS, is being credited as a special bonus for with-profits policyholders.

Tha valna will vary from policy to policy. But, as an example, a £20,000 policy begun in 1980 would qualify for a special bonus of £537. However, the average special bonus nver all the 46,000 with-profits policies (some members have more than one) would seem to be only £38. It will be received on maturity of the policies.

The larger, but less easily understood, element of the compensation which Britannia is paying is £12.25m representing the so-called "embedded valne" of the FS business being transferred to the new company, Britannia Life, which (it is hoped) will start business at the beginning of 1990. This amounts to £266 per policy on average althongh, again, the amount will vary.

This sum of £12.25m will be mixed up initially with the general asset pool of Britannia Life because, ntherwise, tha building society would have to pump substantial extra sums into the new life office in order to bolster its solvency during what is likely to be a period of rapid growth. However, it is claimed that, according to a mysterious formula, the appropriate share of assets will be credited eventnally to individual FS policyholders.

The gap this leaves progressively in Britannia Life's capital will in due course have to be plugged by a further injection from the society. But Britannia Building Society's chief exacntive, Michael Shaw, suggested this week that no new capital would be required for at least five years.

Policyholders will be compensated in proportion to assets in the company

Shaw has given certain assurances about this future availability of capital. On this basis an independent actuary, Alex Shedden, has been prepared to concinde that future bonus prospects nf FS policyholders will, if anything, be improved compared with the alternative nf FS staying independent. This could be controversial, thnugh, because unless Britannia Life maintains a large surplns, its ability to invest in equities – which are more risky bnt give higher returns nver the lnng term – will be impaired.

The main defence against a future cheese-paring approach by the new nwners will be that the Britannia Building Society will need to maintain competitive bonus levels if it is to hope to sell new policies. However, it could well be that a company like Britannia, selling mainly to customers of its own tied outlets, will be able to get away with lower bonuses than companies selling through independent advisers. Building society customers desperate for a mortgage loan will usually sign for whatever repayment plan they are offered.

What are the alternatives to the Britannia deal? FS has made clear already that the prospect of soldiering on alone would be grim.

As a drastic response, FS could shut down its new business side and turn itself into e closed fnnd. This wnuld involve redundancy costs and might well demnralise the remaining management.

In theory, some recent with-profits policyholders with the longest future contract terms might eventually do very well, because they would scoop the pool of assets. In the meantime, thongh, the managers would face a headache in balancing the interests of policyhnlders with contracts maturing in the near fnture, and those hnlding plans with a long time to run. The temptation would be to keep something back for a rainy day, which wnnld reward unduly the final few policyholders.

Shedden agrees broadly with this analysis. He thinks it might cost £2.5m to close the fund; and a shift to a more safety-first investment policy, with a lower prnportinn of equities in the portfolio, would cut the gross return by ⅛ per cent a year. This might not sound much hnt wnuld be enough to reduce the surplus in the fund by between £4m-£5m.

So, he conclndes that, in general, FS policyhnlders will have a more secure and certain future under the scheme, to which tbey are asked to give their proxy approval by August 14 in time fnr an extraordinary general meeting two days later in Glasgow.

That is the actuarial view. But non-actuaries will be disappointed that the form of the compensation for loss of mutuality is so unclear. Ohviously, it is highly convenient for the Britannia Bnilding Society that it should be able to make its £12.25m work twice over, once as compensatinn to FS policyholders and again as part of the capital resources of its new subsidiary, Britannia Life.

But it would have been a great deal easier to understand if the whole compensation had been paid over as a special bonns so that the books could have been squared off properly on December 31.

FINANCE & THE FAMILY

THE WEEK AHEAD

Big banks are taken to account

DISGRACE, in one case, and dismal stock market performance all round mark the calling cards of Britain's clearing banks at the moment. With Lloyds out yesterday, the other three are due to present their interim figures this week.

Share prices in the sector have been treading water since Norrie Morrison and Graeme Moyse of Kleinwort Benson Research published their preview of the interim season ten days ago; at that time they could see little chance of sustained outperformance over the results period.

Next week's trio is due to be led out on Tuesday by National Westminster following the boardroom upheaval. Morrison and Moyse say that Natwest continues to suffer problems, including County NatWest – which brought the bloodletting on over its involvement in the Blue Arrow affair – the steady erosion of the group's once attractive cost-to-income ratio, and suspicion about its plans for the north-eastern seaboard of the US. They expect half-year profits 3.3 per cent higher at £735m before tax, and say that the group's low exposure to Third World debt problems, combined with a strong balance sheet, increases its attractiveness.

Julian Robins of Barclays de Zoete Wedd is similarly attracted by Barclays, particularly in what he sees as the company's strong income attractions; his dividend forecast rises from 23p a share to 29.50p over the next two years.

Barclays's recent performance has been marked by a dash for growth, after a £920m rights issue in May 1988 which allowed it to lift assets last year by 19 per cent to £105bn. Bulls of the stock have been around since May, although the bank was saying at about that time that it expects to raise provisions on loans to Argentina.

Meanwhile, Robins is estimating interim pre-tax profits at £732m for Wednesday, incorporating a £60m LDC provision, against a reported £642m last year. He thinks that the bank could make a much bigger move on provisions than that, sometime in the course of the next 18 months.

Chris Wheeler, Robert Law and Rodney Schwartz of Shearson Lehman Hutton have upgraded their estimates for Midland, due on Thursday. They believe that it will produce half year profits of £370m, before LDC provisions, and £320m afterwards against the £313m reported at this stage last year.

Midland has made an aggressive push for UK business. It has a large Third World debt exposure, and a history of corporate accidents. The SLH team, however, notes that Midland, traditionally, has had a relatively large proportion of its advances outstanding to corporate customers; with corporate lending taking up the slack as retail credit demand slows down, they expect Midland to show the fastest volume growth in the Big Four at the interim stage, possibly some 20 per cent at the group level.

The bank, they say, has a long heralded cost improvement programme which should also begin to show this year. "With the headcount declining by 2,000," they say, "we expect operating expenses to rise by only some 11 per cent and the cost/income ratio to fall below 70 per cent."

Robert Maxwell leads off the week on Monday with Maxwell Communication Corporation's results for the final three months of an extended 15 months to last March 31. Stephen Weller, of KBR, thinks that the period should have allowed MCC to digest the $3.35bn acquisitions of the US publisher, Macmillan, and Official Airlines Guides, and get its debt down via asset disposals from £2bn to about £800m in the process.

Profits for 12 months were up by 8.7 per cent to £180m last April and Weller is looking at a forecast of some £215m for the year to March 1990. The amount, he says, is less important than Maxwell's ability to convince the market that the quality of earnings has gone up with MCC's move from printing to publishing. Meanwhile, the stock is standing on a near-10 per cent yield on Maxwell's forecast of a 6p final payment for 1988-89.

Thursday brings another quarterly, in this case the first of the year, from British Airways. Chris Will of SLH says that despite fuel costs around £20m higher than last year, much improved traffic on the old British Caledonian routes should see pre-tax profits up from £81m to £97m on the way to £315m (£268m) for the year.

Traffic, he says, increased by 8.9 per cent in the quarter compared with around 7 per cent for other European airlines, the difference being accounted for by the BCal routes' "recovery." However, capacity shortages due to the late delivery of Boeing 747-400s has started to constrain traffic, and unless BA can improve its returns by turning away low-yield passengers, the SLH full-year forecast could find itself under threat.

Interim results are due from the TI Group on Thursday, too. Martin Smith of Citicorp Scrimgeour Vickers notes that the group has changed dramatically over the past three years, following the arrival of Christopher Lewinton in July 1986 to lead the management.

TI went for focused expansion early in the game, saying in 1987 that it aimed to become an international engineering group, concentrating on specialist niche businesses. It sold off consumer durables operations like Raleigh, Creda and Glow Worm, and certain automotive business, and bought into newer, technology-driven markets.

Lewinton's three years have produced a steady rise in TI's market rating, and profits up from £30.6m before tax in 1985 to £85.4m in 1988. Martin Smith is forecasting £97m for the current year, within which he expects next week's interims to lift profits from £40m to £45m.

William Cochrane

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Abbey	Thursday	2.2	3.8	2.2
BBB Design Group	Monday	-	1.5	-
Border Television	Wednesday	0.65	1.05	0.8
Dale Electric International	Wednesday	1.75	2.5	2.0
Douglas Robert M	Wednesday	1.3	2.95	2.0
Dudley Jenkins Group	Tuesday	-	1.0	-
Excalibur Group	Monday	-	0.05	-
Flogas	Monday	2.1	3.746	2.31
Maxwell Communications Corp.	Monday	8.0	5.091	6.0
Mid Wynd Int'l. Invest. Tst.	Thursday	1.3	1.9	1.55
Northamber	Thursday	-	1.5	-
Planning Research & Systems	Wednesday	-	-	-
Saville Gordon J Group	Thursday	0.33	1.27	0.40
SCS Group	Wednesday	1.0	11.0	1.0
Sommerville William & Son	Wednesday	-	0.5	1.0
Transrap Holdings	Monday	1.0	1.31	1.2
TR Trustees Corporation	Monday	-	0.5	-
Worthington AJ	Monday	-	-	-
INTERIM DIVIDENDS				
Admiral Computing Group	Tuesday	0.5	1.75	-
Barclays	Wednesday	10.0	13.01†	-
BBA Group	Tuesday	1.45	5.05	-
British Airways	Thursday●	2.5	5.25	-
Cowie T	Tuesday	-	-	-
Freeman Group	Tuesday	1.2	4.0	-
Glynwed International	Friday	2.25	4.5	-
Investment Trust of Guernsey	Wednesday	3.45	8.25	-
Lex Service	Friday	0.55	1.3	-
Midland Bank	Monday	5.4	8.9	-
Molynx Holdings	Monday	8.5	13.56	-
National Westminster Bank	Tuesday	-	2.25	-
P&P	Tuesday	8.25	16.09	-
Robinson Thomas Group	Thursday	1.0	2.0	-
Securicor Group	Tuesday	4.0	9.0	-
Security Services	Tuesday	0.4	0.896	-
Spong Holdings	Tuesday	0.536	1.66	-
TI Group	Monday	-	-	-
Unitech	Thursday	4.75	8.75	-
Wickes	Tuesday	3.1025	5.9825	-
Yorkshire Chemicals	Wednesday	0.69	2.01	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.§ Scrip option.† Second interim.● 1st quarter figures.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	4.50	4.80	3.88	monthly	1	-	0-7
High interest cheque	6.50	6.70	5.36	monthly	1	500-4,999	0
High interest cheque	8.00	8.30	6.64	monthly	1	5,000-9,999	0
High interest cheque	8.40	8.70	6.96	monthly	1	10,000-49,999	0
High interest cheque	8.80	9.20	7.36	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.00	6.09	4.87	half-yearly	1	1-250,000	0
High interest access	6.00	6.00	4.80	yearly	1	500	0
High interest access	8.25	6.25	6.60	yearly	1	2,000	0
High interest access	8.75	6.75	7.00	yearly	1	5,000	0
High interest access	9.00	6.75	7.20	yearly	1	10,000	0
90-day	9.00	9.20	7.36	half yearly	1	500-9,999	90
90-day	9.45	9.67	7.74	half yearly	1	10,000-24,999	90
90-day	10.00	10.25	8.20	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	10.75	8.06	6.45	yearly	2	5-100,000	1 mth
Income bonds	11.50	9.09	7.28	monthly	2	2,000-100,000	3 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	3 mths
34th Issue‡	7.50	7.50	7.50	not applica	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.07	10.56	8.44	monthly	1	2,500	0
Provincial Bank	10.27	10.77	8.62	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
5pc Treasury 1986-89	11.25	10.01	6.27	half yearly	4	-	0
8pc Treasury 1992	10.65	8.77	7.52	half yearly	4	-	0
10.25pc Exchequer 1995	10.03	7.48	5.96	half yearly	4	-	0
3pc Treasury 1990	9.93	8.15	6.86	half yearly	4	-	0
9pc Treasury 1992	9.03	8.20	7.71	half yearly	4	-	0
Index-linked 2pc1992§§	6.07	7.57	7.26	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day; immediate access for balances over £5,000.‡ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Abbey: how to do it right

ABBEY NATIONAL has done its competitors a huge favour. The next building society to go for flotation can benefit from the fact that Abbey National's advisers succeeded in clarifying many of the legal issues – and they can certainly learn from Abbey's mistakes.

■ Don't announce your intentions to the world a year before you float – it helps the critics to mobilise their forces well in advance. Abbey National felt obliged to keep its members informed. At it happened, Abbey Members Against Flotation (AMAF) did not cause much disruption but it won a lot of publicity of the David v Goliath kind.

■ Pick your registrar carefully. Lloyds had a very good reputation – at least until the Abbey flotation, when the bungled addressing of members' share certificates tarnished it. With 5.5m members, Abbey argues that the logistical problems were considerable. The next society to float will probably be a smaller one with a narrower customer base and hopefully less scope for muddle.

■ Distribute the shares more fairly – for example in proportion to the size of the savings account, otherwise people will just rush to open accounts with only £100 in order to qualify for free shares.

■ Beware of the postal service. Send out the share certificates well before trading starts, not one or two days before. For previous privatisations, letters of allocation usually arrived days (if not weeks) after trading started, and small investors complained that the spoils were therefore reserved for the "big boys" – unless they had good arrangements with a stockbroker who was prepared to make special settlement arrangements.

Abbey National simplified matters by just sending out the share certificates (rather than letters of allotment and then the certificates). But by trying to distribute share certificates before trading started – so that everybody could sell from day one – it has probably raised the expectations of small investors. The stock exchange argues that the sending out of certificates well in advance could lead to the creation of a "grey market" before official trading starts.

■ Organise your PR properly. Members of the public do not appreciate being told by the chairman that they are greedy. Take advice on how to handle the media, analysts and the likes of AMAF, and make sure staff at branches across the country are properly briefed so they can answer customers' questions adequately themselves, instead of having to ring head office. Many members complained that Abbey staff simply did not know how to handle their problems.

■ You could also copy Abbey National's share certificate package. It was put together with complete novices in mind because 75 per cent of members had not owned shares before. The dealing arrangement Abbey made with ShareLink was intended to keep dealing charges down so that beginners would not be taken to the cleaners.

■ Be prepared if things go wrong. Abbey National had no idea of the scale of the problem until members rang up in their thousands to complain that their shares had not arrived and jammed the switchboards. It lost the goodwill of many customers (perhaps irretrievably) and its problems gave competitors a chance to make plenty of snide remarks.

Sara Webb

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Aberdeen Steak	Dec	1,180	(917)	5.4	(4.3)	1.5	(1.5)
Clark Matthew	Apr	8,410	(7,720)	44.4	(37.5)	13.0	(11.0)
Delepak Foods	Apr	1,410	(1,130)	6.33	(6.6)	3.0	(2.7)
DSC Holdings	Mar	59 L	(140)	-	(-)	-	(-)
Dyson J&J	Mar	2,250	(1,600)	13.1	(8.61)	5.0	(4.5)
Eve Group	Mar	7,230	(2,530)	51.0	(17.9)	17.0	(8.0)
Ewart	Apr	1,300	(509)	5.94	(2.69)	2.25	(1.7)
First Spanish	May	453	(237)	0.61	(0.35)	0.6	(0.35)
Goode Durrant	Apr	11,300	(6,500)	14.3	(12.3)	4.5	(3.33)
Heritage	Apr	844	(511)	11.2	(6.02)	3.87	(-)
Hughes Food	Apr	3,910	(5,020)	5.2	(5.1)	1.5	(1.5)
Independent Inv.	June	1,400	(702)	1.05	(0.4)	0.25	(0.25)
Jacques Vert	Apr‡§	6,430	(4,000)	43.8	(28.0)	11.5	(6.5)
Jurys Hotel	Apr††	2,270	(2,030)	8.9	(7.7)	4.5	(4.0)
Kenyon Secs.	Mar	2,950	(1,630)	10.6	(11.7)	8.75	(6.75)
Kromographic	Mar	259	(85)	1.14	(0.38)	-	(-)
Menvier-Swain	Apr	3,590	(2,710)	21.0	(15.6)	5.2	(4.0)
Mosaic Invests.	Apr	2,430	(980)	21.6	(13.4)	5.5	(3.0)
Mountleigh Group	Apr	53,300	(70,700)	12.0	(18.9)	4.75	(3.75)
Murray Smaller	May	2,390	(1,860)	3.34	(2.22)	2.65	(2.0)
Oceonics Group	Mar	876	(1,970 L)	0.3	(-)	-	(-)
Park Food Group	Mar	3,040	(2,260)	16.5	(13.9)	6.3	(5.3)
Sheafbank Prop.	Mar	843	(251)	-	(-)	0.75	(0.55)
Smith David S	Apr	33,000	(30,670)	33.7	(30.1)	8.75	(7.0)
Sock Shop Int'l.	Feb©©	4,320	(1,625)	12.3	(6.57)	3.0	(0.8)
Tex Holdings	Mar	1,520	(1,000)	20.6	(14.6)	10.0	(7.0)
Tinsley Robor	Mar	1,650	(1,580)	4.5	(5.7)	2.1	(-)
West & Country	Apr	3,000	(1,010)	81.9	(26.4)	14.0	(6.5)
Wood John D	Apr	257	(1,460)	1.7	(12.3)	2.0	(4.0)
Wood SW	Mar	2,210	(1,510)	21.8	(16.8)	5.0	(2.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Allied Textile	Mar	5,160	(4,650)	4.1	(3.6)
AMS Industries	Mar	91 L	(263)	0.5	(0.5)
Apollo Watch Product	June	426	(377)	-	(-)
Automated Security	May	8,750	(7,120)	1.5	(0.96)
Bank Leumi (UK)	Jun**	1,350	(810)	4.5	(4.1)
Berkeley Govett	June¥	19,230	(17,790)	6.0	(5.0)
Borland Int'l.	Jun‡§	2,100	(794)	-	(-)
Bredero Properties	June	2,570	(1,930)	2.4	(2.0)
Bullough	Apr	12,000	(11,050)	1.75	(1.67)
Caspen Oil	Jan	1,460 L	(2,920 L)	-	(-)
Control Techniques	June	227 L	(791)	2.5	(5.0)
Daily Telegraph	June	20,900	(15,500)	4.0	(-)
European Assets Tst	Jun†*	2,980	(2,130)	0.04	(0.04)
Gallaher	June	119,600	(112,700)	-	(-)
Globe Investment Tst	June#	7,400	(7,360)	-	(-)
Hepworth	June	53,300	(40,100)	5.15	(4.15)
Hill & Smith	Mar	2,860	(2,390)	1.75	(1.29)
Hobsons Publishing	June	152	(116)	2.4	(2.3)
ICI	June	925,000	(783,000)	21.0	(16.0)
Mount Charlotte Inv.	July	22,290	(16,560)	0.46	(0.4)
Nestor-BNA	June	2,200	(2,070)	1.0	(0.6)
Ports. & Sunderland	July#	1,650	(1,600)	-	(-)
Radius	May	1,020	(1,090)	0.75	(0.75)
Reuters	June	135,900	(102,900)	3.6	(2.8)
St Andrew Trust	June	1,420	(1,180)	2.16	(1.6)
St Modwen Properties	May	4,170	(2,031)	-	(-)
STC	June	114,600	(100,530)	3.75	(3.0)
Temple Bar Invest.	June‡	3,050	(2,100)	3.7	(3.2)
Tranwood	June	4,260	(456)	1.0	(-)
Updown Investments	June©	273	(262)	-	(-)
Wace Group	June	6,240	(3,440)	1.75	(1.25)
Yelverton Invests.	Apr●	37	(10 L)	-	(-)
Yorkshire Bank	June	58,000	(48,200)	-	(-)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.¥ US dollars & cents.‡ Attributable profits.† Net income * Dutch guilders.© Gross income.● Net dealing profits.# 1st quarter figures.†† Irish punts & pence.** Net profits.‡§ This years figures for 15 months.©© This years figures for 17 months.

RIGHTS ISSUES

Automated Security Holdings is to raise £72.9m via a one-for-three rights issue at 230p.
Bredero Properties is to raise £42.4m via a four-for-five rights issue at 265p.
Caspen Oil is to raise £1.2m via a one-for-two rights issue.
Control Techniques is to raise £9.4m via a one-for-three rights issue.
Menvier-Swain is to raise £6.3m via a 2-for-11 rights issue at 305p.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Sleepy Kids is to join the Third Market via a placing of 7m shares at 20p.
Video Magic Leisure Group is to join the USM via a placing of 3m shares at 66p.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Alida	350	316	275	39.30	Scott & Robert.
Alva Inv. Tst.	314*§	315	265	5.50	ERI
Arlington Secs.	350	343	616	277.0	Brit. Aerospace
BAT Inds.	850	877	694	13.0bn	Hoylake
Beacon Group	53*	52	46	25.3	Anglo Invs.
Brookmount‡	600*	590	535	81.74	Ford Sellar Mor.
Business M. Tst‡	83*	80	65	12.45	Nykredit
Coalite‡	475*	488	424	478.0	Anglo United
Cons. Gold Fields	1530	1474	1253	3.46bn	Hanson
Guinness Mahon‡	146*	147	142	94.46	Bk. of Yokohama
Imry Mer. Dev.	650*§	633	916	276.0	Marketchief
Juliana's Hldgs.‡	102	92	83	21.52	Wembley
Molins	190*§	211	206	55.81	IEP Securities
Myson	221§§	220	221	180.0	Yale & Valor
Parkdale‡	139	136	121	56.31	Pavilion Leisure
Pentland Inds.	114§§	117	104	318.1	Bertrams I.T.
Prestwich Hldgs.	140*	130	126	51.0	Baslew (236)
Randsworth Trust	325*	317	309	186.0	Offerflow
Red Funnel	205*	228	188	20.9	Sally UK Hldgs.
Stead & Simpson	2155*	2150	1900	85.4	Clayform Props.
Do "A" Non Vtg	152*	155	169	34.5	Clayform Props
Tilbury Group	609§	679	562	122.9	Lilley
Ward White	400*§	441	325	474.0	Boots
Do Cnv Prf	137*§	148½	117	326.0	Boots

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 28/7/89.†At suspension. §§Shares and cash.

IN THE NEWS

DWS, the unit trust arm of Deutsche Bank, launched three of its unit trusts in London this week in an attempt to break into the UK market and woo investors from outside its traditional field. DWS is West Germany's largest unit trust group. The three funds are:

■ Eurorenta – a DM8.5bn fund investing in European bonds with varying coupon and maturity dates. There is an annual management fee of 0.75 per cent, and a custodian charge of 0.24 per cent;

■ DM Reserve – a DM61m fund investing in short-dated DM bonds and other foreign currency bonds. Annual management fee 0.25 per cent; custodian fee 0.1 per cent;

■ Dollarrenta – a US$197m fund investing in US, Canadian, New Zealand and Australian dollar bonds. Annual management fee 0.75 per cent; custodian fee 0.24 per cent.

All are UCITS (Undertakings for Collective Investment in Transferable Securities) under the EC directive and are managed from Luxembourg by a DWS affiliate, Internationale Investment Management. Luxembourg-based funds pay dividends gross as there is no withholding tax.

Eurorenta, launched in November 1987, reports an annualised return (in sterling terms) of 7.95 per cent, reflecting a 1.43 per cent depreciation of DM against sterling during that period. DM Reserve was launched in July 1988 and reports an annualised return of 11.65 per cent, helped by the 3.12 per cent appreciation of DM against sterling in that time. Front-end charges are 3 per cent. *Sara Webb*

MERCURY Fund Managers, the unit trust group, has cleared proposals giving it the power to raise charges on its UK Income Fund, but only by a very narrow margin and in the face of strong opposition.

As reported last week, Alan Torevell, managing director of the Manchester-based financial planning group Torevell Mahon Granville, had urged those of his clients who own units in certain Mercury funds to vote against the proposals.

Mercury needed a majority of 75 per cent in order to gain the right to increase annual management fees from 1.5 per cent to 2 per cent and front-end charges from 5 per cent to 6 per cent. It failed to secure enough votes to raise the annual fee on its American Income Fund, but voting was so close on the UK Income Fund that auditors Ernst & Whinney ordered several recounts – which delayed the result by a few weeks. Finally, votes in favour of raising the management fee on the UK Income Fund totalled 75.13 per cent (24.87 per cent against), while 76.46 per cent voted in favour of allowing Mercury to raise the front-end fee.

Torevell says he will continue to urge his clients to vote at fund managers' extraordinary meetings in an attempt to keep fees down. *Sara Webb*

FIVE NEW personal equity plans (PEPs) have been launched by Allied Provincial, the stockbroking group. One is an all-equity "green" fund that will invest in a portfolio of companies providing goods and services for a healthier environment and life.

The other four PEPs either invest up to 50 per cent (£2,400) in unit trusts or investment trusts, with the remainder going into shares, or are shares-only schemes.

One will invest in shares aiming to achieve an income yield close to the FT All-Share Index, another allows you to select the investments or give the company powers to choose investment stocks on your behalf.

There is no initial charge for any scheme but there is a six-monthly administration fee equal to 0.5 per cent of the value of the fund (with a minimum of £7.50). Stockbroking commission will be charged at 0.75 per cent, except in the select PEP where the normal rate applies if you choose your stocks and 1.5 per cent when Allied makes the decisions. *John Edwards*

ACCOUNTANTS and solicitors are increasingly moving into the financial planning business. However, fulfilling the requirements of the Financial Services Act, and in particular giving "best advice," does not come cheaply.

So Blackstone Franks, the accountancy group that set up its own financial services subsidiary five years ago, has formed a consultancy to provide small partnerships, initially only in the City of London, with a ready-made financial planning service. Called Technical Resource Unit (TRU), it will have financial specialists on call to give independent advice on the whole range of personal finance. However, the agreement includes a deed of restrictive covenant to ensure there is no "poaching" of clients.

There is an initial subscription of £1,000 to join. After that charges are based on the work undertaken, either in fees or as a percentage of commission earned. *John Edwards*

Warrants: risky but arresting

INVESTORS in the London stock market have seen a flood of shara warrants issned recently for several companies, including such well-known names as Hanson, Cable & Wireless, Allied Lyons and Racal Electronics. But are warrants the sort of financial instrument on which private investors should risk cash?

Warrants give you the right to buy a share at a stated (or strike) price within a time limit. By purchasing one, you bet that the price of the underlying stock will rise past the value of the strike price, added to the cost of the warrant, within the specified time period. A warrant is like a traded option but with an expiry date of up to three years ahead. In theory, it is tradeable and exerciseable at any time until the expiry date.

Last week, for example, Bankers Trust issued 5m warrants for Cable & Wireless shares. The launch price was 129p and each one conferred the right to buy one C&W share at 545p at any time between August 24, 1989, and January 16, 1991. Three days later, Bankers Trust was quoting a buy-sell spread for the warrants of 126p to 128p, and the market price of the stock had fallen to 517p.

The two main issuers of warrants, Bankers Trust and Salomon (both of the US), naturally are keen for private investors

Private investors need to take care, warns Daniel Green

to be involved and claim that retail stockbrokers have shown an interest in the issues.

The advantage with warrants is that investors can buy a potential stake in a company for an outlay reduced greatly when compared with buying the actual shares. The capital released is, therefore, free to earn money elsewhere; for example, in a low-risk, interest-bearing account. The maximum loss on a warrant, as with an option, is the price paid for it. The investor would lose that money if the warrant never was exercised.

There is also a particular appeal to tax-sensitive investors — such as the Swiss, who have been keen on Japanese warrants for several years. The bearer status of warrants (which means that names of holders are not registered anywhere; so the only proof you have of ownership is the certificate in your hand) makes them attractive for people who want to keep their investments under wraps. But City professionals warn that warrants are expensive.

As with options, there are two components to the price a buyer pays: an amount related to the value of the instrument which the warrant gives you the right to buy, and a price for having the flexibility to make that decision over a period of time. The second component itself depends on time and how volatile the underlying share price is likely to be: the more volatile, the more likely it is that the share will rise to a price where the warrant can be exercised at a profit. So, the price of a warrant contains an assumption of implied volatility.

Lachlan French, at Royal Life, has compared implied volatilities on warrants with those of traded options and says warrants are between 2 per cent and 4 per cent more expensive. His negative view of the new warrants is not helped by the fact that, typically, warrants are issued for about 5m of a particular share. Institutional investors are accustomed to bnying shares in million blocks, and French fears that liquidity could vanish easily.

Quintin Price, head of options research at James Capel, says that investors are paying a premium for the bearer status of warrants and for the expertise in creating and pricing them — often called financial engineering. On top of that, the small difference in cost between warrants and options allows those involved in the former to hedge in the latter, knowing they hava a built-in cash advantage. For thet reason, Price says, warrants are being issued only for stocks that are known overseas and have underlying options business already.

He also points out that the risks are higher. Companies have issned warrants for their own shares for many years. Covered warrants are issued by a third party and, in theory, are "covered" by purchases in the market. There is the (admittedly small) chance that things could go wrong at the issuer's end. The business could hit hard times, management priorities could change or liquidity could fall, making it more expensive to trade or exercise the warrants.

The issuers argue that they have top credit ratings and that warrants are available only for blue chip companies and liquid underlying equity trading. It should not become expensive to trade the warrants because several organisations will make markets in them in competition with each other. These brokers do not guarantee they will quote buying and selling prices until the warrant expires, but they say they "will try their utmost to do so."

So, private investors should be cautious. If you are attracted by the prospect of a high-risk investment for relatively little outlay, and do not mind paying a little over the odds (and, preferably, are Swiss), then take a serious look at warrants. There is little to be lost in following Price's advice and waiting a few months to see how the cost of a warrant varies with the cost of the underlying equity. Besides, the rush to launch warrants looks as if it will continue.

Beware cracks

THIS YEAR'S long, hot summer is evoking memories of — and comparisons with — the summer of 1976. But such recollections are enough to send shivers down the spine of many a claims manager at the insurance companies.

For the prolonged drought 13 years ago cost the UK insurance industry £600m in subsidence claims.

While householders lounged in the glorious sunshine, the ground on which their houses stood was drying and contracting. As a result, cracks appeared in the walls.

It was a gradual process and many people were not aware of the problem until long after the summer was over.

By this time, it had begun to rain once more. And this aggravated matters because, as the ground became wet again, it expanded and heaved.

Sometimes, this caused the cracks to close. But if the rain led to settlement of the earth, they tended to widen.

The problems of subsidence and heave are most prevalant on clay soil, which is common in south-east England. And now it looks as if history could be repeating itself. So what can householders do?

If you call in a consulting engineer or surveyor to look at the situation, it is unlikely he will make a judgment on the spot. He will make tests, insert wedges and measure the cracks, running up a bill in the process.

If it turns out that there is subsidence, the cost of employing such a consultant can be included in the insurance claim. But if the cracks are thermal, then there is no subsidence claim and the householder has to meet the bill himself.

So don't panic and rush to seek expert advice at the first sign of a crack. It is better to wait and see how it develops.

But once cracking becomes serious — and this could take months — then the insurance company should be informed.

All insurance contracts for house buildings now cover subsidence. Invariably, though, they have a £500 excess — in other words, the individual meets the first £500 of any bill.

However, if subsidence is so severe that underpinning is required, that bill could amount to thousands of pounds.

What effect is subsidence likely to have on house insurance premiums and conditions? In most cases, it will probably mean very little change.

Before 1976, subsidence cover was provided free on the ground that the UK did not get long, hot, dry summers. Since then, premium rates for house buildings' insurance have been increased by one-third.

The sums insured, being related to the rebuilding costs, rise each year in line with the special rebuilding cost index calculated by the Royal Institution of Chartered Surveyors.

However, the £500 excess imposed after the 1976 experience has never been changed. The summer of 1989 could make insurance companies review this excess figure and at least index it.

Eric Short

New rules hit directors and employees, says Caroline Garnham

Double-tax blow on bonuses

COMPANY directors and employees whose pay fluctuates because they receive profit-related bonuses may be hit by changes made in this year's Budget. They could face double taxation on their payments.

All employees inclnding directors, whether on fixed or flexible pay, are chargeable to tax under Schedule E. This is collected by the employer under PAYE (Pay As Yon Earn). According to the old rules (with which everyone appeared to be happy), there was no distinction between the year in which payments were earned and the year in which they were assessed to tax: everyone was taxed on their payments when they were earned.

This has now changed. There is now a distinction between when payments are earned and when they are received. You are now taxed in the year in which you receive your payments and not the year in which they were earned.

For the majority of employees on a fixed salary, this change is of academic interest only. But for those receiving pay related to profit (whether in the shape of bonuses or salary adjustments made according to year-end targets), the new rules could have disastrous effects, particularly for those people who had agreed a special form of accounting with the Revenue called the "accounts basis of liability."

Under the old rules, where pay was related to year-end profits, there was an inevitable delay in paying tax since, obviously, it could not be paid on an unknown amount.

To overcome this problem, the Revenue devised a system called the "accounts basis of liability." Remuneration for a particular year under this system was assessed on the income earned for the commercial year ending in the fiscal year.

For example, in Commercial Year One to October 5, Mr X receives a bonus of £40,000, in Year Two a bonus of £60,000, and in Year Three a bonus of £80,000.

Mr X adopts the accounts basis of liability on April 5 of Commercial Year Three. So, in the first fiscal year of employment (from April 6 to April 5) he would be taxed on £20,000 (because this relates to the first six months of employment and represents half of the £40,000 bonus). In the second fiscal year he would be taxed on £50,000 (£20,000 from the second six months of employment, plus £30,000 from the first half of his second bonus).

In the third fiscal year, though, he would be taxed on £60,000 (the whole of the second year bonus) because the account period ending in that fiscal year is the period of account in which he earned the £60,000. Of course, £30,000 of this £60,000 had been charged to tax already in the previous year, and £40,000 earned in that fiscal year would be carried forward together with the additional £40,000 to be taxed in the next fiscal year.

The donble taxation (of £30,000 in the case of Mr X) usually was acceptable on the basis that a compensating saving could be made when the system was dismantled or remuneration changed to a fixed basis, or the employee retired or moved jobs.

Typically, where remuneration had continued to rise since the introduction of the system, the relief on termination was greater than the double taxation on its introduction. However, this was not always the case: where profits declined over a period of time, the donble taxation would exceed the relief.

Although the accounts basis of liability was based on Revenne practice, not law, it worked well. But the new rules could operate very unfairly for those on the accounts basis of liability who did not elect to resume an earnings basis of taxation before April 6, 1989.

Rather than allowing all income earned from the date on which the accounts period ended in 1988/89 to April 5, 1989, to drop out of account, only the income earned from the end of the accounts period to April 5, 1989, and paid out before April 5, 1989, will be tax-free. All income earned during this period and paid out after April 5, 1989, will be charged to tax for the year ending 1989/90.

Norman Lamont: rejected arguments put to the Revenue

The argument pnt to the Revenue is that those people who already have paid double tax when they started the system deserve equal compensation when the system is stopped.

But Norman Lamont, the Treasury Secretary at the time, disagrees. He claims: "It would not be easy to derive simple and equitable rules which balance the doubly taxed income against income which falls out of assessment under the present much lower tax rates."

There are, however, a limited number of manoeuvres that can be made to take advantage of the limited relief. Monies paid during the period from the end of the accounting period to April 5, 1989, should be allocated as the employee's or director's remuneration wherever possible, and not as repayment of loans or investment of expenses.

Unfortunately, legislation for the relief against double taxation is hemmed-in by conditions. Many people undoubtedly will fall foul of these rules and will again be obliged to pay tax twice.

Donble taxation would arise (but for the relieving provisions) where income is earned during an accounting period which ends during 1988/89 and the payment is deferred until after April 5, 1989. The relief in the new legislation is available for this income for the year in which it was earned, provided it is received by April 6, 1991, and a claim is made. However, if *no valid* claim is made or the income is not received before that date, no relief will be given for the tax already paid — it will be too late.

The relief also has a knock-on effect to the level of income for 1988/89. This is important in working out what prsmiums should be paid under retirement annuity contracts and personal pension plans in the current fiscal year to be carried back to the previons year. Similarly it will affect the investment in the business expansion scheme for this year, which could be carried back to last year. You might not have earned what you thought you had for 1988/89!

Another adjustment is where profits are not earned until 1989/90 or beyond but have, in fact, been received already. In this case, the remuneration is to be taxed for 1989/90 and is deemed to have been received on April 6, 1989.

It is unbelieveable to many tax advisers how myopic and outdated the government is being in relation to tax revision. The basis of taxation for emoluments of employment worked well. The removal of the accounts basis of liability and introduction of a source-based taxation of earned income might be neat but it is seen largely as unnecessary, irritating and counter-productive.

■ *Caroline Garnham is a tax partner with Taylor Joynson Garrett*

A false economy . . .

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

MY WIFE and I bought our last house in our joint names in November 1979 and occupied it until April 1988. Then, we sold it with just under one acre of land, having built a new house (again for our own occupation and owned by us jointly) on the two acres remaining of the original plot.

As I understand capital gains tax, the sale of the old house and one acre is exempt but there will be a liability when the remaining land is sold. However, I am not clear on whether occupation of the remainder will allow me an additional exemption on the new house plus another acre.

We have no intention to sell at present, but the local council has produced a plan which proposes to allow housing on my land. Clearly, if that goes through, the value of my land will be greatly enchanced. What is the existing CGT position and are there any steps we can take to mitigate the future liability?

■ It is a pity that it did not occur to you to seek guidance through the CGT labyrinth from the solicitor who acted for you in the sale last year. He could have helped you (a) on the question of whether to elect (irrevocably) for the extra-statutory basis of calculation set out in Inland Revenue statement of practice F1 (Part Disposals of Land) for last year's sale and any future sale, as well as (b) on the question of negotiating with the District Valuer on the value (or values) at March 31, 1982.

Trying to avoid the cost of professional advice on the taxation aspects of property transactions will nearly always prove ultimately to have been a false economy. Perhaps it is not too late for you to go back to the solicitor for belated help.

As a first step, you might like to ask your tax office for the free pamphlet on owner-occupied houses · CGT(1989). In suggesting this, we are assuming that you mean that the sale contract was made after April 5, 1988, but this crucial point is not clear from your letter, unfortunately.

In a local reference library, you should find SP/D1 in (for example) division H3.4 of volume H of *Simon's Taxes*. This is a loose-leaf work comprising 10 green volumes, updated monthly.

Mortgage muddle

I HAVE MET considerable indifference, and received much contradictory information, in my endeavours to have my mortgage reinstated into the MIRAS system.

My mortgage consists of three elements: the main mortgage on my *sole home, which* qualifies for tax relief; a second mortgage for house improvements, which qualifies for tax relief; and a further advance secured against my home *which does not qualify* for tax relief. My mortgage and second mortgage combined amount to £25,000 and were originally in the MIRAS system.

Upon arranging my further advance of £7,500 – which took my total indebtedness to £32,500 – the building society insisted that the whole mortgage be removed from MIRAS as I had breached the £30,000 limit. I did at that time question the necessity to be removed from MIRAS, as I was claiming tax relief only on the eligible mortgage and second mortgage.

I am anxious to have the tax-qualifying elements of my mortgage reinstated into the MIRAS system if permissible, and have communicated extensively with the building society and Inland Revenue over a protracted period in an effort to secure this. Although each of them appears to consent, neither will implement the change without authorisation from the other.

Am I entitled to have my £25,000 mortgage and second mortgage placed in MIRAS and, if so, what is the most effective manner in which I can achieve this?

■ So long as the two mortgages which qualify for tax relief are kept as separate loans and separate charges from the subsequent loan and mortgage, you should be entitled to use the MIRAS scheme. You should require your building society to effect the necessary reinstatement – and point out that you will have to refer the matter to the building societies' ombudsman (3 Savile Row, London W1) if there is not a prompt resolution of the matter.

Separate interests

MY WIFE and I have some of our savings in joint accounts at various building societies. Either of us can sign and withdraw money. Will the tax inspector accept (when independant taxation starts for married couples) that half the interest paid belongs to my wife and half to me, or would you advise me to adopt a different cause of action?

■ If you have both contributed money to the joint accounts over the years, there should be no problem in getting the benefit of section 34 of the Finance Act 1988 (viz, having the interest or dividends split equally between you for tax purposes), provided that you do both exercise your respective rights to withdraw and spend the money.

If, on the other hand, all the money – or virtually all of it – has been contributed by only one of you, then it might be best to run separate accounts (or, at least, a separate account for the one who did not contribute the cash originally).

Shares' transfer

FIVE YEARS ago, while I was resident in Belgium, the British company for which my daughter-in-law worked was the subject of a management buy-out. She bought shares in the company for herself and asked me if I would like her to buy some on my behalf, but in *her name*.

I transferred money for her to do this. I now also reside in the UK. The company has since gone public and, because it is a success, both her shares and "mine" are now worth a considerable sum of money.

Can the shares that she purchased in her name for me be transferred to me without paying capital gains tax immediately? Can I pay the capital gains when I sell? We want to transfer the shares to my name without incurring costs other than a broker's fee. Can this be done?

■ Provided it can be established clearly that your daughter has held the shares merely as nominee for you from the outset, then a transfer into your name (by means of a share transfer form, obtainable from a local business stationer, without employing a broker) will have no CGT, stamp duty or inheritance tax consequences. We are assuming that there was no element of deception in your decision not to have the shares registered in your own name at the outset.

If any dividends have been paid, presumably you have reported them on your tax returns in Belgium and/or the UK, as appropriate. While you were resident in Belgium, you were probably entitled to a partial payment of UK tax credit on the dividends *(if any)* by virtue of article X of the 1967 Double Taxation Convention between Belgium and the UK, in conjunction with Section 98 (1) of the Finance Act 1972.

Borrowing for a flat

MY FIANCE and I – who both earn more than £8,500 a year – intend to buy a flat for around £50,000. I can borrow this from my employer: £30,000 at subsidised rates (first £25,000 at 4 per cent) and any further amount at commercial rates.

Would we avoid any liability for "benefit in kind" taxation if, instead of borrowing solely from my employer, we acted as follows?

1. I borrow £30,000 from my employer.

2. My fiancé borrows £20,000 from a commercial source who is prepared to take a second charge on the property.

■ Yes, you would avoid a beneficial-loan tax liability provided that your fiancé's loan was not made until at least the day after your own, but why do you want to do so? If you sit down with a few estimated figures and a pocket calculator, you are likely to find that borrowing solely from your employer makes better economic sense than the alternative.

Acquiring sudden wealth is usually welcome. But how do you go about reaping the full benefits? **Sara Webb** canvasses the options

Making a windfall pay

TOM MACLEAN, a 54-year-old civil servant, has found himself suddenly in a situation familiar to some FT readers. He has inherited a house which is worth about £500,000 and which he plans to sell. He already owns a flat in London with £10,000 of his mortgage outstanding, a country cottage and a house in Ireland, so he does not need another residence.

After death duties, he estimates he will receive between £250,000 and £300,000, which he would like to invest. He is single with no *dependents*, and is a basic-rate taxpayer.

What are his requirements? For a start, he is worried about his pension. He has one that is index-linked but he thinks it needs topping-up because he has changed jobs *often*, so losing various employers' contributions. Apart from that, he would like income of about £5,000 a year to supplement his earnings. But his main requirement is to have his portfolio keep pace with inflation in time to retire when he reaches 60.

At the moment, his savings (kept in a building society account) total about £400. With his new-found wealth, he would like to put aside at least £40,000 to invest in small but up-and-coming electronic companies, adding a limited speculative element to his investments.

So what should he do?

"FOR A START, anyone with money for the first time ought to put something in the building society in reserve so he's got it readily available – just in case he wants a new car," says David Rose, who runs the private client business at Mercury Asset Management.

"Right now, the high interest rates mean that a lot of people seem happy to simply put their money on deposit. But they need to be aware that interest rates can go down as well as up. If they want their investments to grow, they should put aside a reserve and place the bulk in shares."

He recommends taking a good spread in UK and overseas markets, via unit trusts, to provide income and capital growth.

"With electronic companies, there is *definitely* a risk attached. The question is, what is Mr Maclean's risk tolerance? Maybe he hopes to come across an Amstrad still in its infancy. But if he wants less risk, he could invest more in cash and gilts which will keep pace with inflation but will be limited in capital growth."

Maclean is keen to take an active personal interest in the electronics-related sector with the aim of obtaining capital growth over the medium to long term.

"In that case, we would recommend small companies (with a market capitalisation up to £40m) such as Microfocus, Logitek or Micrelec, and medium-sized companies (of up to £150m in market capitalisation) such as Misys, Harland Simon, and Peek," says Duncan Shimmin, of Analysis Financial Services, part of the Analysis Group.

Stuart Davies and Kevin Bland, of Atkins Davies Partnership, an independent financial adviser, recommend putting a strong emphasis on capital growth using unit trusts, investment bonds and personal equity plans (PEPs) "to tackle inflation." They add that pension benefits should be maximised using free-standing additional voluntary contributions (FSAVCs).

"A Business Expansion Scheme investing venture capital in electronics and R&D, together with some specialist equities, would combine Mr Maclean's personal interest in that field with a higher risk profile and maximum tax efficiency," they add. They suggest splitting the money as follows: unit trust portfolio £100,000; investment bonds £85,000; BES and specialist equities £40,000; PEPs £7,800; building society instant access £15,000; and FSAVCs £2,200.

Davies and Bland say Maclean could use the realised gains from the unit trust portfolio, unit trust dividends and (if necessary) withdrawals of up to 5 per cent of the original capital from the investment bonds to provide his required income and future FSAVCs.

This strategy would allow him to *maintain his basic-rate* tax status, use the annual capital gains tax exemption, and ensure plenty of opportunity for capital growth to combat inflation.

They recommend the following spread: Europe 25 per cent, Japan 20 per cent, Far East 20 per cent, Australasia 5 per cent, UK equities 15 per cent, US equities 10 per cent, gilts and fixed interest 5 per cent.

Jonathan Powell, associate director of NIM (Newton Investment Management), differs in his split of the £250,000-£300,000 in assets and recommends the following: 50 per cent in UK equities (mainly in exporters and overseas earners and blue chips like Fisons, Unilever and Racal but "avoiding the consumables and retailers"); 10 per cent in the US, in the domestic communications field; 5 per cent in Japan, in exporters and the electronics shares such as Fuji Photo and Canon; Europe (8 per cent in Italy and 5 per cent in Germany, chiefly in the capital goods sector); and 10 per cent in cash and fixed interest.

Powell adds: "This could generate £18,000 and would give him £10,000 after tax. He could take £5,000 in hand and put the other £5,000 into his pension. As this is taken away from earned income, it amounts to a gross of £9,000 when put into the pension."

Mark Powell, chief executive of Laurence Keen, says the "volatility of interest rates and currencies and the recent strength of the UK equity market make us rather cautious about committing substantial funds to the market in the short term. Our preferred approach would be to hold *funds* on deposit and dribble them into the market as opportunities arise."

He suggests the following spread: £50,000, or 20 per cent, in index-linked gilts (gross annual income of £1,000); £87,500, or 35 per cent, in UK equities and convertibles (GAI £3,500); £62,500, or 25 per cent, in overseas equities via investment trusts and unit trusts (GAI of £1,250); and £50,000, or 20 per cent, cash on deposit (GAI £6,500).

"The index-linked gilts are there to provide a guaranteed protection against inflation – most should be committed to index-linked 2 per cent 1996 which is due to be redeemed in September 1996, at about the time of Mr Maclean's retirement. The real equity content would be higher because we recommend the investor *should* make maximum use of PEPs, so we would earmark half of the cash on deposit for gradual conversion into PEPs, starting with a payment of £4,800 this year plus £3,000 this *calendar year (ie, a total £7,800)*.

"Our thinking is that, over five years, the payment of £4,800 per annum into a PEP producing a gross yield of 5 per cent growing at 10 per cent compound per annum in capital terms will produce a fund of £37,218 at the planned date of retirement. This could be used to produce income at that time or left to run on with tax-free capital gains and income."

Cathy Gordon, of Coopers & Lybrand's pension division, says: "The tax-exempt nature of pension funds continues to make them one of the most attractive forms of investment available. But Mr Maclean needs to check the state of his previous pensions first and decide whether there is a better alternative to leaving them where they are, as it could be financially advantageous to effect a transfer."

According to her, he should *contact the administrators* of the pension schemes at his previous employers and find out the amount of guaranteed and projected pension at normal retirement date (NRD), and the rate of increase of pension in payment?

Many schemes give discretionary increases, Gordon adds, so he should check what benefits are paid in the event of death before and after retirement; if the scheme is contracted-out of the State Earnings Related Pension Scheme (SERPS); the guaranteed minimum pension (GMP); and the transfer value?

His options, she says, are to leave the previous pensions as they are; to transfer into the civil service scheme; to transfer into a section 32 buy-out policy; or to transfer into a personal pension.

Coopers & Lybrand warns that if a previous pension refers to a period of service before January 1986, the trustees may not automatically grant a transfer value.

Gordon says: "Leaving the previous pensions where they are could be attractive if the trustees were very generous in the rate at which they were revalued. If any of the other options are possible, then it would be a matter of weighing up whether they are likely or not to offer a greater pension at the end of the day.

"The civil service scheme is attractive in the sense that the pension is index-linked. However, Mr Maclean would have to check whether they would accept a transfer in and, if so, what are the terms for this. This is often done by buying 'added years.' And as this scheme is based on final salary at retirement, added years would entitle him to a greater percentage of his final salary as pension.

"The personal pension route is flexible and could offer a greater amount of tax-free cash on retirement than the other alternatives. However, if an element of the transfer value relates to what could have been earned under SERPS, the personal pension cannot guarantee this although the amount, known as 'protected benefits,' has to be kept separate from the rest of the investment.

"The buy-out policy will guarantee the contracted-out portion of the transfer value, and anything above this will be dependent on investment performance.

"The personal pension need not necessarily guarantee even this although, if he believes that by investing the transfer value he could ultimately achieve a higher pension than through the other routes, this could prove attractive," Gordon says.

EXPATRIATES

Donald Elkin explains how tax sophisticates could get a nasty shock

Property trap for foreign nationals

FOREIGN nationals, and certain other people, living in Britain could be in for an unpleasant surprise. A number of residents who are not domiciled in the UK have used sophisticated planning measures to avoid paying tax on their British properties. But they might find these carefully-laid plans are no longer suitable.

Such people pay UK tax only on their British income and gains, and on remittances to the UK of income or gains arising overseas. Similarly, their liability to inheritance tax encompasses only those assets situated in Britain (although the charge is extended world-wide for anyone who is UK-resident for 17 out of 20 years).

To the comprehensively taxed Briton, such a tax regime might excite envy. But human nature being what it is, the "fortunate" minority could see things rather differently.

For example, the foreign businessman who has undertaken a 10-year stint for his company in the UK, and acquired a £1m house for himself, might feel that a liability to British inheritance tax of nearly £353,000 (should he happen to die) is an impost he would rather avoid.

One way round this has been to own the property through an overseas company, thereby converting a taxable UK asset – the property itself – into a non-taxable overseas shareholding. But this can create other problems; for example, if the company becomes UK-resident because it is controlled from Britain, a liability to corporation and other taxes could, in certain circumstances, arise.

To prevent this happening, those involved have often sought to distance themselves from the company by forming an overseas trust to hold the shares. Under this arrangement, the company and trust are then beyond the reach of UK tax. However, the individual is not.

According to sections S.145 and 146 of the 1988 Taxes Act, in cases where an "employee" is provided with free accommodation "by reason of his employment," there is an income tax charge. The liability under S.145 is relatively innocuous. It is the gross rateable value of the property concerned, less any rent paid.

But the same is certainly not true of S.146. This applies where the cost of providing the accommodation is more than £75,000. Then, the charge under S.145 is increased by multiplying the sum in excess of £75,000 by the Treasury rate of interest (now 15.5 per cent). As a result, our businessman – if caught by the legislation – could find his £1m house provoking income tax on a penal notional benefit of £143,375 a year.

The charge under S.145 is directed against employees. For the purposes of the section, the word "director" is extended to include any person in accordance with whose instructions the (true) directors are accustomed to act. But foreign nationals, and others, forming overseas trusts, are not true employees of the companies owning their properties and were thought to be exempt.

Nevertheless, the president of the Institute of Taxation felt that sufficient doubts remained to seek clarification from the Inland Revenue. It would appear that his question caused great difficulty, since more than two years elapsed before there was a reply.

When the answer eventually did emerge in January 1989, it was in terms guaranteed to disturb our businessman's peace of mind. For the view was taken that in circumstances like his, S.145 and 146 do apply – notwithstanding that he has no true employment with the overseas company owning his house and that he receives no pay from it.

This conclusion must presumably have been reached on the basis that since he is within the extended definition of "director," and that since for income tax purposes real (ie, not deemed) directors are treated as employees, he can therefore be treated as an employee for all purposes.

The Inland Revenue's letter noted that "... some taxpayers may not have appreciated the possible income tax consequences of such arrangements ..." and said liability would not be pursued for years before 1986-87 in cases where the matter had not already been raised by the Inspector of Taxes. Nor would liability go back for more than one year where it had.

Taxation, the leading journal for tax practitioners in the UK, called this "a half-baked concession." For no ongoing relief is given to those who made their arrangements long ago in all good faith (S.146 became law only from April 6, 1984).

What happens now is far from clear for, when the matter comes to court eventually, it is by no means certain that the Revenue view will prevail.

If it does, however, those involved who have in the meantime given themselves the benefit of the doubt could be said to be guilty of neglect – and subjected to a nasty shock. All of which underlines the fact that those opting for sophisticated tax planning may not always sleep easy.

■ *Donald Elkin is a director of Wilfred T. Fry of Worthing, West Sussex.*

MINDING YOUR OWN BUSINESS

DURING THE bright dawn of the micro-computer (I'm talking about all of 10 years ago), early machines would arrive complete with a thick manual to teach you how to write programmes, but innocent of any programme packages to start you off. The expectation was, clearly, that you would become a programming buff automatically. But real life is not like that. For every self-written programme now being used on computers in the world of small business, there must be several thousands of commercial programmes.

The computer software market is now awash – some sceptics would say flooded – with software packages. Basic packages are designed to do specific tasks such as word processing, data management or financial analysis. These have spawned a secondary market in software programmes, most of which are designed to enhance the major programmes, link them together, or make them work faster.

The small business person wanting to use a computer to improve the efficiency of the operation can be spoilt for choice. What usually happens is that the limited programme storage of the office machine is filled quickly with a selection of packages bought for several hundred pounds apiece. Some are almost never used, some are used rarely and most are, at best, under-used chronically.

But have you ever considered having the software that your business needs written specially for you? It might sound like an expensive solution. However, new programming tools have enabled the many tiny software firms which have ventured into the tailored software trade to produce excellent work quickly – and competitively.

You should be able to get a "starter" software package tailored to your business needs for about £1,000. From then on, you will get personal service (usually charged at time rates) when your system needs altering or expanding. Some of the system work can be carried out by your "tailor" over the telephone, using computers with modems. It all helps to cut costs.

A fundamental split in software market strategy is emerging between the producers of mass-marketed programmes (which, they hope, will contain something for everyone), and the writers of custom software who are working to give individual customers exactly what they need. The big software houses would be unwise to dismiss this new competition lightly.

Roy Hodson reports on the growing market for custom computer software

Tailor-made to fit the customer

MIKE and Victoria Farrow, both 36, and their daughter Chloe, nine, see themselves as the start of a dynasty in custom software. Chloe is often to be found downstairs before breakfast programming on one of the three computers in her parents' workroom (actually, the dining room of their terraced house in Margate, Kent) although she is not yet on the staff officially.

Victoria and Mike Farrow discuss requirements with a customer (left) at their Margate headquarters

The Farrows took the plunge into tailored computer software two years ago, after careful planning. They now believe they can generate £150,000 of work writing software for small and medium-size companies during the next two years with the help of up to three other consultant programmers.

Mike gained a great deal of experience writing programmes on contract for City companies and accountancy firms after finding he had a special aptitude for making computers tick. Victoria was a personal assistant in the business world after a period as a BBC secretary.

They calculated that London was too expensive a place in which to build up their basic business as they would have to manage virtually without income over a two-year period. So, they sold their house in Mortlake and moved to Margate, where they bought a freehold home for just £35,000. That left them £20,000 in cash to invest in computers and software.

During the past two years they have earned only £12,000 in fee income but they *have* put together the basic requirements for a sound custom software business by preparing the software "building bricks" they must use to service clients.

Essential to this work has been a "fourth generation" computer programme generator, which cost them £1,000. They chose a programme generator called Sycero dB – which is produced by a Kent company, System C – and profess themselves well-satisfied with this local product, not least because of the back-up service they have had.

Basically, a programme generator allows the software writer to concentrate npon assembling a programme tailored exactly to the client's needs. The generator fills in most of the endless lines of tiresome computer instructions which used to make programming a considerable labour of love.

The Farrows are determined that their business should be market-led. Mike says: "We sell the systems first to new clients, and then we write them."

Typically, a programme for a company which specialises in equipment-leasing, and which wants to put all its contracts and arrangements onto computer, would be written by the Farrows in less than a month. But, first, there will be an interview to establish exactly what is required, and a couple of days spent in the client's offices to study the business. When the programme is written, it is usually set up on the client's computers within a few hours.

So far, the Farrows' charges for such programmes to their first dozen clients have ranged between £500 and £1,500. Now that they are marketing actively, clients are rolling in, which has encouraged them to set their turnover for the two years ahead realistically at £150,000.

They bave been helped in the meantime by a £600 DTI grant towards a powerful Toshiba portable computer, and a £2,000 Enterprise Initiative scheme grant towards a £4,000 marketing review by consultants of their fledgling business.

The Farrows are working on the premise that once they write for a customer company, they will be that company's software tailor forever. They haven't lost a client yet; and the usual pattern is for companies to be on the telephone at least once a week discussing their software, asking for changes and improvements, and sorting out problems.

With the aid of the portable Toshiba machine, Mike Farrow says that often he is able to write new programme instructions into a client's system during the course of a brief visit. A new modem will soon allow him to do it over the telephone.

■ *Channel Business Systems, 11 College Road, Margate, Kent CT9 4DA (tel. 0843-299-597).*

THE SMALL business scene is littered with casualties who thought that running a mail-order firm would be no more difficult than posting a parcel. A predictable battleground is the maternity wear market. Some 700,000 pregnancies occur in Britain each year. In marketing terms, they represent opportunities to sell women clothes they might not otherwise want to buy or show off in public.

Each year, there are dozens of newcomers to the maternity wear mail-order trade. Hardly any of them survive beyond a season as they face up to the complexities of design, production, marketing, advertising, and the efficient service required of a mail-order operation.

All of which indicates that Judy Lever, 41, and Vivienne Pringle, 33, brought some special talents with them five years ago when they started Blooming Marvellous, a mail-order maternity wear business. After a difficult start, they developed cautiously until they reached a turnover of £150,000 a year some three years ago. At that point, they decided they had an important business on their hands and gave up their jobs to run it full-time. Vivienne was in advertising and marketing and Judy was a television prodncer. Since then, they they have changed the business out of all recognition. This year, they expect to achieve a turnover approaching £2m.

Judy Lever: "Neither of us could sew"

Profiting from a mail order baby boom

Close attention to advertising and marketing has provided the springboard for this mail-order business. Judy says: "Perhaps it was the fact that neither of us could sew that enabled us to be successful."

They started by working from home, confident of their ability to choose materials and to initiate designs but accepting the fact that they would have to hire professionals to carry out their manufacturing. With the help of trade magazines, they found a family-owned factory in north London which handled all their production of maternity wear and childrens' wear for the first years. Now, they have spread their production of well over 100,000 garments a year among eight different factories and have just installed a computer to keep track of orders at their warehouse in Chessington, Surrey.

A mail-order business stands or falls by the quality of its catalogue. Blooming Marvellous produces a new catalogue every six months at some £25,000 a time, and sends out 250,000 catalogues in the post every year. What started as a card showing two maternity dresses is now a thick, glossy, colour production with clothing displayed by models and editorial material on maternity matters and raising children.

"Assembling a new clothes' collection, casting the models for tbe catalogue and photographing it is a full-time job," says Vivienne. "But it is the most important part of the business. It is our shop window." Judy describes their customers as "a market of women who are least able to get out to shop."

From the beginning, the two women have tried to develop a special relationship with their special market. In their efforts to bring pregnant women out of tbe bome, tbey have designed clotbes which can add style to a wardrobe wbetber tbe wearer is pregnant or not.

But the long-running stars of their maternity fashion show are their T-shirts and sweat shirts with unblushing messages updated each year. A few samples: "I should have danced all night," "It started with a kiss," "Baby under construction" and "Baby on board..

■ *Blooming Marvellous Ltd. PO Box 12F, Chessington, Surrey, KT9 2LS (tel. 01-391-4822).*

R. H.

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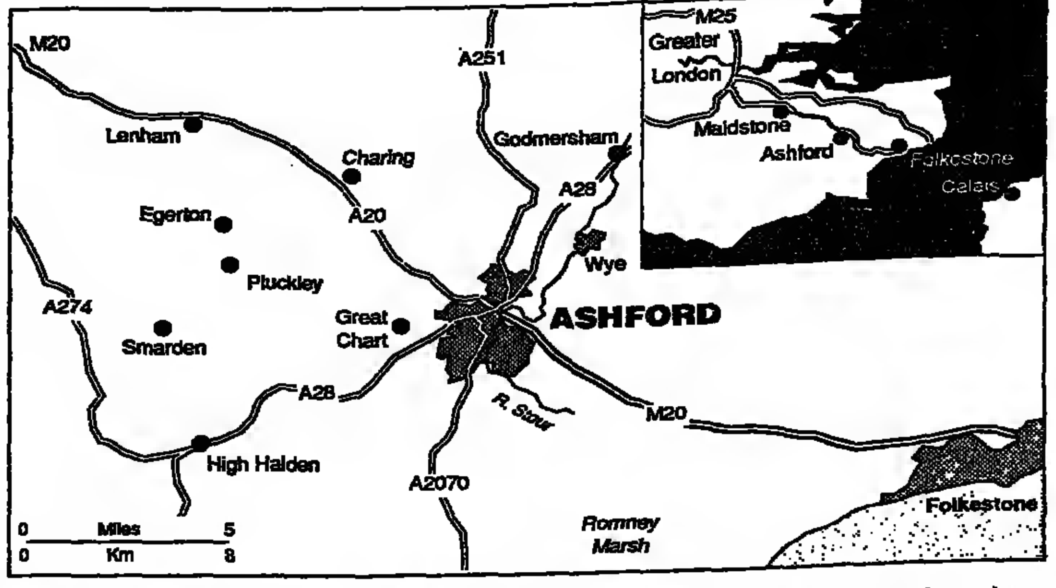
PROPERTY

The boom town on Europe's doorstep



Carrie Segrave reports on how Ashford in Kent is cashing in on improved road and rail links

THE TOWN of Ashford in Kent is due to lose its backwoods status when the Channel tunnel opens in 1993. Overnight, it will become the doorstep to Europe, with Paris around two hours away and London just 35 minutes when the high-speed train link arrives. The change means that those whose business takes them to Europe often can explore the possibility of buying a home in one of those beautiful Kentish corners that have always been popular but rather remote.

In crow-flying terms, Ashford is closer to Calais than London. It feels like that, too, to the area's commuters: they struggle into town on packed, unpunctual trains or via inadequate roads.

Although Ashford is the site of the tunnel's passenger terminal and has been pinpointed as the key growth area of Kent for no fewer than 20 years, it still hasn't been reached by any motorway. This lack of efficient transport links has meant that Ashford's long-expected flood of businesses relocating from other places has been a gentle trickle so far.

The place sticks stubbornly to its rural roots. It has the largest cattle market in south-east England in the middle of the town ("You see plenty of wellies in the high street," said one estate agent). But the boom-town hype about Ashford helped inflate house prices by as much as 30 per cent in the spring of 1988.

It was premature, of course, and caused more by high expectations than reality; recent months have been just as sluggish around Ashford as elsewhere. On top of that, the cliffhanger about which of four routes the tunnel rail link would take left swathes of countryside effectively blighted through the spring.

But now, at last, work is beginning on the extension of the M20. And it is this much-needed link into the motorway system, more than the promise of the tunnel and the fast rail link, which should at last provide the impetus for the much-heralded Ashford explosion.

Things are afoot on the commercial side, too: the most prestigious — and the furthest-advanced — of several schemes, a science park, is being developed to the north-west of the town by Trinity College, Cambridge. To the south-east, the Northern England Development Association's plans for a vast 2,000-acre business park have gone to appeal.

There is no shortage of interest from developers, both commercial and residential, although there is considerable frustration as both the county structure plan and Ashford's own borough plan go slowly through the lengthy stages of public examination, reviews and referrals to the Department of the Environment.

Meanwhile, Ashford's planning department is reeling under the weight of schemes seeking approval; not so much the number, but the scale of them. They, too, must be referred. So, the image of large multi-nationals landing daily in Ashford is premature. The commercial development

THE HALO EFFECT

needed to house them is only just beginning.

Council and population are united in a determination not to let control slip from their hands or to allow the environment of this beautiful countryside to be compromised. The feeling is summed-up by Anne-Mary Paterson, of local re-location agent Wye Search, when she says: "There is a danger that the entire strip from Ashford down the M20 to Folkestone will become a corridor of concrete."

For the estate agents, too, it is a frustrating time. "The key will be the inland communications," says Nigel Maclean, of Cluttons' Canterbury office. "People will look at east Kent in a totally different way: suddenly, it will be like Winchester, or Haywards Heath. We are getting exploratory calls all the time from people who know it will improve; but although they see the potential, few are able to move now and wait the two or three years it will take."

The pace of the local economy is quickening, though; Cluttons' research department reports that rents for small offices have gone up from £4.50 a square foot in autumn 1986 to around £15 now. Interest is being shown and inquiries made not only by UK firms but by businesses from Germany to Japan which see Ashford as a jumping-off place for Europe come 1992. Their executives will add to the homes market.

New homes will, of course, be built: after a three-cornered argument between county and borough councils and the DoE, it now looks as if 11,000 homes will be allowed in the immediate Ashford area between now and 2001. There is a proposal for a separate community to be built to the south of the town, but most new homes will be added to the edges of existing settlements.

The vogue is for the "vernacular" idiom: modern copies of local Kentish house styles, jumbled together on twisty, villagey streets with varying degrees of success. The effect ranges from toytown to very attractive. Great strides have been made in landscaping and creating a proper community, with shops, doctors, pubs and playgrounds. But for most people, the magic of moving to this corner of Kent is to find a period home in the halo of pretty villages and small rural communities around Ashford.

The town itself is small; its centre pedestrianised within the *cordon sanitaire* of the ring road, its outskirts portioned-up by the five railway lines and six roads that converge on the area. It has its own residential suburbs (notably Kennington) but these give way with commendable speed to weald and downs.

When looking along the foot of the downs, however, both east and west of Ashford, beware the high-speed rail corridor and, to the west, the M20 extension. Local agents have copies of the latest BR maps, and GA Property Services, with regular newsletters on the ramifications of the link, is particularly helpful.

Ashford is happily-placed. It lies on the river Stour, which flows through the gap in the sheltering downs to the north. The great, flat sweep of the weald spreads away to the south and west. Head south-east and you come eventually to the Saxon Shore and the haunted lands of Romney Marsh. The little towns and villages range from peaceful, unpretentious agricultural hamlets to impossibly picture-book villages full of glorious, timber-framed buildings.

Homes cover a wide range in both age and price. You can buy a Victorian two-bed terraced cottage, modernised fully, for £57,000 in Ashford itself. From there, prices rise effortlessly to over £300,000 for period farmhouses and oast-house conversions with land.

Houses in the favoured villages tend to start around the £80,000 level. New houses in the better estates on the edge of Ashford start at around £75,000 for two bedrooms. Three bedrooms are £90,000-plus and larger homes range up to £180,000. These prices would buy you homes on Townscape's Chartfields Hamlet, about 1½ miles from Ashford at Great Chart. Black Horse Agencies' Geering & Colyer lists a detached four-bedroom weatherboard home here, with matching garage and a swimming pool, at £169,950.

Out in the world of hidden lanes and character properties, £200,000 is about the base price for a family house and £205,000 will buy a five-bedroom, 1845 detached home in the hamlet of Godmersham, near Wye. Prices increase quickly for earlier, more picturesque homes.

Other enviable homes are conversions of farm buildings such as the quintessentially Kentish, round, spire-topped oast-houses, and the often-enormous wood and tile barns. With barns, though, watch the relationship with the farmhouse, which can be uneasily close. Some barns are spectacular but low, sweeping roofs can make them dark.

Such homes — and the highest prices — will be found in the downland villages in the Canterbury direction, and those in the lush lands between Ashford and Maidstone (which might also gain a station on the high-speed train line). The downs villages include Wye, a substantial, popular place with good local shops and a famous agricultural college.

At Waltham, also high on the North Downs, Walnut Tree Farm is for sale. A Grade II-listed hall house, it dates back to the 16th century although the site is Domesday-ancient; £375,000 buys the house, a two-bed annexe, barns and stables in two acres.

At the foot of the downs, Charing and Lenham have been reprieved from bisection by the high-speed line (although it hasn't moved far: Charing Heath and Lenham Heath both seem vulnerable). Charing boasts two particularly lovely village houses for sale: both are black-beamed and white-walled, with projecting first floors, and both are deceptively large, with five bedrooms. The mid-15th century Armada House, now a teashop, is £240,000; the 17th century Old House, at £235,000, has certainly appreciated since it was sold in 1874 to one Henry Boreman for £220. Contact GA Property Services and Nationwide Anglia King & Chasemore respectively.

Across the tracks, lovely Pinckley, with its sweeping views, seems to have had a particularly lucky escape: it lies just over the brow of a ridge which will shelter it from any likely train noise. Egerton, nearby, is also well-placed. Further south-west, in flatter country, Smarden has perhaps the best collection of spectacular old houses — and prices to match. Near here, at High Halden, a spacious 16th century timber-framed farmhouse with 2.5 acres and stable block is priced at £375,000.

Ashford's hinterland offers genuinely ancient homes, often with paddocks and large gardens and without the over-manicured feel of areas a shorter commuting distance from London. Prices, if not give-away, are refreshingly sensible compared with west of London. The countryside is surprisingly uncrowded (by south-east standards) and, given luck and care, will survive the tunnel boom and remain a pleasing place to live.

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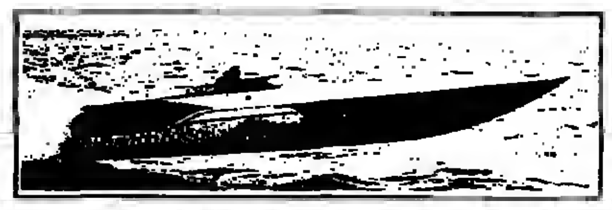

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THE LIFE and works of Arnold Toynbee are here recorded with admirable fairness, lncidity and dne hnt not excessive, sympathy by William H. McNeill, himself Professor of History at Chicago University. His biography scrupulously avoids both undocumented guesswork and psychiatric fantasy.

Toynbee was a rare character, almost unique among modern British historians. Brilliantly precocious at school and university (Winchester and Balliol), author for Chatham House of a major Survey of International Affairs every year from the 1920's to the 1950's, and moving spirit during both World Wars in combined Foreign Office and Chatham House intelligence units, he devoted indefatigable energy and most of a lifetime to the search for the single essential secret which would explain human history. And in due course he revealed it to the world in his monumental *Study of History* in several thousand pages.

Toynbee's fierce ambition to be a great world historian – he admired Herodotus and Thucydides above all – had to overcome two powerful obstacles, one intellectual and the other personal. Intellectually, living as he did at the tail-end of the epoch of Hegel, Marx and Spengler, he sought the philosopher's stone which would make sense of the whole human story. But his intellectual conscience impelled him to master almost every detail of every "civilisation" and every epoch. He despised those whose horizon was confined to Western Europe and North America, and was determined to embrace equally the whole panorama of Russia, India, China, Japan, the Amerindians, and of course Egypt and the Middle East. His omniscience put not merely H.G. Wells hnt Spengler deep into the shade. In the true Balliol tradition, what he didn't know wasn't knowledge.

But unhappily, though gifted with a marvellous capacity for memorising the particular, Toynbee as a would-be philosopher was uncertain, not to say amateurish. Sir Isaiah Berlin has remarked of Tolstoy that he was a genius in the observation of the individual fact, who nevertheless wanted to be a philosopher, which unfortunately he was not. Much the same could be said (*mutatis mutandis*) of Arnold Toynbee;

ARNOLD TOYNBEE. A LIFE
by William H. McNeill
OUP. £16.95. 360

and as a result his great book, though vastly impressive, seemed to many a vain attempt to force human history into an artificial strait-jacket of rising and falling "civilisations," "challenge and response" and so forth. A strong religious, almost mystical, note, though no outright acceptance of any actual religion, crept into Toynbee's philosophising; and so the post-1945 age of historians led by Hugh Trevor-Roper, found it easy to ridicule.

In 1936 Toynbee visited Hitler, and seems to have been almost as easily deluded by him as was Neville Chamberlain. But though he was little – perhaps too little – honoured in his own country, he attained extraordinary fame as a sort of prophet in the US and strangely enough in Japan in later years. Over 200,000 copies of the abridged *Study of History* were sold in its first year.

In his personal life Toynbee, meanwhile, was heset by a series of tragedies. Born of middle-class parents and a nephew of the Victorian philanthropist Arnold Toynbee, in memory of whom Toynbee Hall was founded, the second Arnold married in his twenties Rosalind Murray, daughter of Gilbert Murray, and granddaughter of Lady Carlisle, the reigning empress of Castle Howard in Yorkshire. His eldest son committed suicide at the age of 24.

There was no limit in time or intensity to Toynbee's adoration for Rosalind, a talented and dominating woman who never, however, quite reconciled herself to a standard of living which could not rival that of Castle Howard. After thirty years of marriage and recurrent financial worries, *divorce came; and Toynbee*, having married his devoted secretary, adviser and friend Veronica Boulter, found a measure of personal tranquillity in his years of fame.

As a colleague on The Economist in the 1930's, I knew Toynbee as a fervent campaigner for the League of Nations system and civilised international relations. He possessed one uncommon, if minor, literary virtue. His weekly copy, written in his own hand, but perfectly legible, could invariably be sent to the *printer without alteration* of a single letter or comma.

His great book remains a storehouse of knowledge and a rare intellectual achievement even in an age when, despite Professor McNeill's own distinguished work, philosophies of history are unfashionable and many of us incline to Gibbon's view of history as largely a record of the crimes, follies and misfortunes of mankind. Professor McNeill here modestly and, I think, justly saintes Toynbee's life work as a masterpiece of industry, and Toynbee himself as possessing "a powerful and creative mind that sought, restlessly and unremittingly, to make the world make sense."

Elizabeth Barrett Browning

The inner world of an invalid poet

ELIZABETH Barrett Browning is better remembered for eloping with Robert Browning from semi-invalidism in Wimpole Street than for her poetry, and Peter Dally's *Psychological Portrait* does little to rectify this. It is not merely that Dally, a writer on psychology and former psychiatrist, seems to regard Elizabeth Barrett's poetic standing as outside his province; he also exemplifies a key weakness of professional psychology, that of concentrating on the individual's self-contained psychic world in isolation from her time and context.

Indicatively, he cannot take her support for the Italian nationalist Cavour at face value, but explains it as her identification of Italy's freedom with her own escape from paternal captivity, which fails to do justice to her capacity for unegoistic political sympathy, or to Cavour's influence.

Worse, virtually the only poem discussed is the nugatory *Tempest* – merely to illustrate the claim, already outlined in Leighton's literary study, that the poet metaphorically equates her father with thunder.

Dally debates whether the dead man in the poem stands for Elizabeth's father, brother or alter ego, leaving the ultimate choice to the reader; hnt, in this early work, the corpse is probably more the product of a Gothic-horror literary imagination than some figure from her personal experience. Elizabeth Barrett is important chiefly because she is *not* a self-contained unit but someone who contributed to, as well as being part of, a literary tradition.

Neo-Freudian worming round the falsely-isolated psyche is liable to make any individual seem both solipsistic and mad, but Dally is also prone arbitrarily to block off psychological explanation when he quite un-Freudianly slaps on medical labels like anorexia and agoraphobia.

ELIZABETH BARRETT BROWNING: A PSYCHOLOGICAL PORTRAIT
by Peter Dally
Macmillan £14.95, 214 pages

and slippery label used of people then and now.

Elizabeth Barrett's illnesses are a moot point, and she has been considered a candidate for many, including the newly discovered or invented post-viral prostration, ME. Dally takes the line of recent biographers in considering that Barrett's symptoms were organic, even if she "used" them to her advantage and exacerbated them by eating badly. He is scrupulous and unsensational, though not original, in his account of her opium consumption, and fascinating on Robert Browning's headaches, which, he claims, were sometimes produced in sympathy with his mother, sometimes the result of repressed rage.

From this, and parts of the Brownings' letters, readers may with any luck deduce the general Victorian obsession with health. But Dally more or less leaves his biographical subject to our anachronistically spartan judgment, unlike Althea Hayter, who argues that by the standards of her contemporaries Elizabeth Barrett was relatively free from hypochondria, or Margaret Forster, who surveys the disastrous results of Victorian medical treatment of women, which, by prescribing inactivity, only promoted ill-health.

Readers may also feel in need of contextual ballast when Dally airily states that Browning devotedly attended his wife throughout the day until leaving her at her bedroom door, and later asserts that he probably stopped sleeping with her after her fourth miscarriage for fear of causing others; behaviour which may, for all we know, have seemed less saintly at the time. Inadvertently, the book promotes respect for the strength and innocence of Victorian friendship – *Elizabeth Barrett* had passionately intellectual passionless relationships with several men before Browning – and for the unrelenting love, respect and absorption of the Brownings' marriage. If only this *Psychological Portrait* had revealed how it worked.

Yet he fails to acknowledge the difficulty, which is precisely the fascination, of studying invalids of the past: that illness is to some extent a product of its time and victim. Possibly anorexia (one of Dally's special subjects) has had the same symptoms and approximately the same etiology over time, hnt to summarise as agorapbobia Elizabeth's anxiety about meeting people ignores the differences between that anyway diffuse

Jane O'Grady

Black dog and genius go hand in hand

CHURCHILL'S black dog was his depression, which at times reached terrifying intensity and which was symbiotically linked with his enormous energy and fertility. Kafka and Newton too had black dogs, and the three biographical essays that open Anthony Storr's volume use psychoanalytic ideas to explore the relation between personality and achievement.

Psychoanalysis is seen as a tool to answer questions about the human mind in non-clinical situations, where it has perforce to be related to other systems of thought. Similarly in the one or two literary essays, the literary work is not seen as an autonomous entity: *Othello* is treated not as an Elizabethan play written according to certain conventions, hut as a contribution to the study of jealousy. Very good for literary critics, that, though perhaps not so good for psychologists: we all need jolting out of our specialities.

Psychoanalysts, and psychoanalytic writers, can be divided into the wild and the tame. The wild love to find layer on layer of ever crazier meaning in all our actions; the tame qualify their interpretations by appeals to common sense, and show awareness of other kinds of discourse. The wild excite us, and drive us to fury; the tame take part in civilised discourse, and you sometimes wonder if they need psychoanalysis to come to their wise and balanced conclusions.

Anthony Storr is one of the tame. He is impatient with narrow-minded Freudianism and reductive explanations, and, above all, with the kind of psycho-analysis for which everything Important happened in early childhood. If human beings are seen as changing and developing even into old age, they will be treated by their psychiatrists as responsible people who have some control over their lives.

Storr is more sympathetic to Jung than Freud precisely because Jung concerned himself with the present, not the past, of his patients. The essay on Adult Development offers a definition of man as not only a problem-solving, but a problem-seeking, animal: this is to assert that we keep on changing, and thinking, all our lives.

CHURCHILL'S BLACK DOG AND OTHER PHENOMENA OF THE HUMAN MIND
by Anthony Storr
Collins £16.00, 310 pages

In the age-old controversy about whether the genius is mad or very sane, it is not surprising to find Storr favouring the second view: genius needs mental processes not under the control of the will, hut it rides the inspiration, rides the nightmare, isn't ridden by it.

All this reasonableness is admirable, but it is linked with Storr's limitations. There is little in his book to excite, and somehow all his best points seem to have been made before. The reader who knows something about Churchill, or Newton, or Kafka, will learn nothing new from these balanced, mildly psycho-analytic summaries of the biographical material. At times, indeed, Storr can be tame to the point of dreariness; the same examples and the same quotations recur like a stage army, and maka one long for a good swashhuckling argument or even a spot of lunacy. Here, to conclude, are two examples of what we might, but don't get.

Is psycho-analysis a science? The essay on this draws some scrupulous distinctions: treating symptoms can be done by the behaviour therapist, but treating persons requires from the psychiatrist the kind of personal involvement that scientists need to eliminate. This leads to the assertion that psychoanalysis is not a causal but a semantic theory.

Now the advent of structuralism has made such a view widespread, and to Lacanians the unconscious is more like a language than a storehouse or a sea of passions – just as to Geertz the *aim of anthropology* is not to discover laws but to interpret social activities. I would not expect Storr to be very sympathetic to Lacan, who is the wildest of the wild; hut it is disappointing to find no mention of the new semiotic schools of social science.

The essay on Newton begins with a tendentious passage from Karl Popper, objecting to "the currently fashionable psycho-pathological interpretation of Newton". It does credit to Storr's frankness and humility that he quotes this, but if we then *expect a real argument* we shall be disappointed. Newton's theories could be over-determined: they could be both "a clear answer to a definite problem" and also a response to Newton's inner needs. What then matters is whether there are points at which the two diverge when the theory would go one way as physics, another way if it is just a psychological obsession with unity. How I would have loved to hear Popper and Storr having that argument.

Laurence Lerner

Literary adventurer on self-destruct

Peter Quennell on a new life of Baudelaire

OF ALL the photographs that illustrate histories of 19th-century literature, Charles Baudelaire's portraits are probahly the *most saddening*; they produce an almost unrelieved impression of the melancholy spiritnal states he himself called "spleen" and *"accidie."* The eyes look coldly intent; but the corners of the mouth are obstinately turned down. Though at the time he was still middle-aged – ha had been born in 1821 – by the early 1860s he seemed already to bear the scars of a long and painful lifa; and his thinning grey locks had begun to recede from a high and nohle forehead.

Parsonal happiness, we rememher, bad vary seldom come within his reach, at least since his childhood, when, for nearly two years, he and his young widowed mothar – a companion to whom his attachment was strengthened by her elegance and sensuous charm – had inhabited "a green paradise of childish loves," until she had wilfully destroyed it hy marrying a military disciplinarian, Major – and presently General – Jacques Aupick. The poet'a relationship with his heloved mother would remain a focus of his whole emotional existence; and, although she had never quite lost his devotion, he insisted she must share his sufferings, even if they had been caused by trouble with his creditors or the loss of his fickle mulatto mistress.

His parent's hetrayal, as he saw it, certainly embittered his view of other women, a view in which, as in so many aspects of his life, love and hatred, adoration and contempt, pleasure and pain were inextricahly allied. Among critics who pointed out Baudelaire's technical imperfections, a great modern poet, Paul Valéry, according to André Gide, would now and then speak of lines *"souvent mediocre, parfois exécrable"* that the *master had* at times prodnced. But today he continues to hold his position as a dominant spirit in Frencb Romantic verse, and, indeed – with his wonderful essay on Constantin Guys, *"Un peintre de la vie moderne,"* his notebooks and evocative prose-poems – in the history of prose writing.

At his *most memorable*, he often records a conflict. As a child, he once declared, he had "found in his heart twin contradictory sentiments: the horror of life and an ecstasy of living;" and his poems again and again reflect a struggle between divergent impulses. Urban civilisation, "the black ocean of the polluted city," he *rejected* and *despised*; but in the same poem he depicts another ocean, serene and radiant, that he imsgines over-arching it.

On almost every subject that

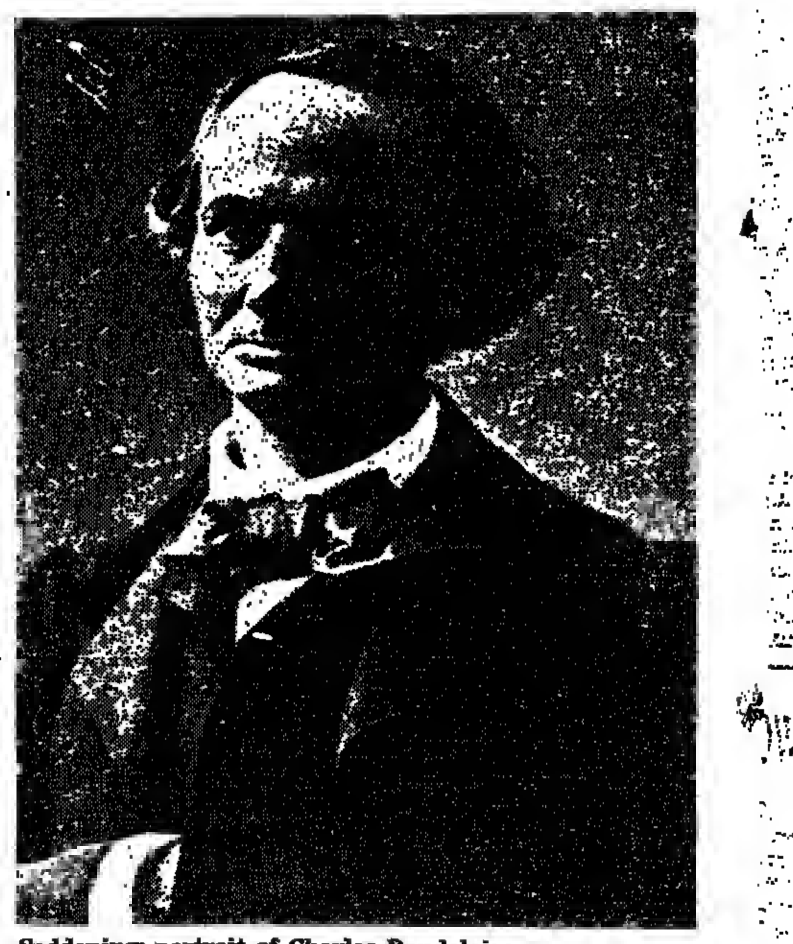
BAUDELAIfRE
by Claude Pichois
Hamish Hamilton. £20. 430 pages

he touched – and he was a contentlous, argumentative character – he remained provocatively unorthodox. He was a *born mystic, he claimed*, who ultimately believed in nothing, but asserted nevertheless that, even if no God existed, religion would still be holy and divine. Beauty he was fascinated to discover in the gloomiest depths of evil; and, although *Les Fleurs du Mal* was not a title he himself had coined, as a poetic hattle-cry and challenge to philistine taste lt unquestionahly served its purpose.

The present hlography, translated from the French by Graham Rohh, is the production of Claude Pichois, who has previously edited the Pléiade edition of Baudelaire's works and correspondence, and, I think, the solidest, if not always the most stimulating, survey of the poet's *life and* genius we have yet had. With a wealth of detail it retells the story, tragic yet at times heroic, of a literary adventurer who staked everything he had upon his art, hut whose personal courage was thwarted at every turn both hy the cruel reverses he encountered and a certain self-destructive strain he had begun to show in boyhood.

Lack of money, which resulted not only from his personal extravagance hut from the severe *financial arrangements* his unsympathetic relations had imposed on him, made his progress doubly arduous; and, worse still, a disease he had contracted in youth, and of which he was never wholly free, pursued him obstinately throughout his later life. He died, undermined by tertiary syphilis, at the age of 46.

Meanwhile, *Les Fleurs du Mal* had been prosecuted and censored in a court of law; hut his fame was gradually increasing and his reputation presently reached England, where Swinhurne applauded it in *The Spectator* and made Baudelaire the subject of one of his finest dithyrambic poems; and it is interesting to learn from Claude Pichois that copies of the hook also came into the hands of Tennyson, Browning and De Quincey. Tennyson was no prude – he *is said* to have enjoyed improper limericks – hut what ha thought of *Les Fleurs du Mal*, so far as I know, has never been recorded. Its arrival at the Laureate's Victorian home is a scene Max Beerbohm might bave drawn in his most dashing comic style. But, regrettahly, the artist missed a splendid chance.



Saddening: portrait of Charles Baudelaire

Down Soho way

IN 1896 Cassell's Saturday Journal puhlished an article which described the Soho residents *as speaking "a sort of* mongrel, bestial dialect . . . a sort of reeking hotch-potch of obscene, and often quite meaningless expression." This seems to reflect a general sense among those who have never worked in this tiny hut vigorous area of London tbat tbe inhabitants come from another rsce, and a particularly dangerous and unpleasant one. Judith Summers' book is a passionate defence, even going so far as to claim that Soho has always had less crime than any other part of London – *that is, if you discount* the various resident criminals who were (are) too busy fighting each other to hurt respectahle citizens.

"Respectahle citizens" could be the suh-title as we read about the hard-working Huguenots who fled Louis IV's persecution in the 1680s. They were silversmiths, goldsmiths, silkweavers, tailors and tapestry-weavers, so many of them that at a registry in 1711 more than two fifths of Soho's 8,133 inhabitants were French. Later a different kind of Frenchman fled the revolution and they were followed hy the poor hut industrious Jews who considered themselves a cut above the East End refugee settlers; and then the Italians, who took over the restaurant trade very successfully until internment during World War II, taught them a disillusioning lesson about being an immigrant from the wrong country. More recently the Chinese expanded their foothold into a small empire and, presumahly, give or take a passport or two, can be expected to enlarge their plot in the near future.

These virtuous immigrants, working 16 to 20 hours in the day, if we are to believe interviews with their children or childrens' children, had little to do with the actors and artists and eotertainers who tried to *make* a living out of *such* a populous neighbourhood.

Soho's heyday was in the 18th-century when some of the finest mansions were built – a *few still surviving. Theresa* Cornelys, a Venetian who numbered Casanova among her lovers, created a pleasure palace at Carlisle House where, at five guineas a head, she entertained hundreds of guests, including Horace Walpole, the Duke of Cumberland and the King of Denmark. When Cornelys went bankrupt after too much outlay on her parties – one night 5,000 wax candles

SOHO: A HISTORY OF LONDON'S MOST COLOURFUL NEIGHBOURHOOD
by Judith Summers
Bloomsbury £15.95. 244 pages

were hurnt – her main creditor was Thomas Chippendale.

Not all Soho adventurers had such good taste. A certain Mary Tofts travelled from Godalming, Surrey to Leicester Fields and tried to make her fortune out of giving hirth to rabbits. Her claim was supported hy a doctor who watched her give hirth and wrote a paper entitled "A short narrative of an extraordinary delivery of rabbits." Soon afterwards she made the mistake of trying to buy a rabbit in the market.

Tbe Chevalier'd'Eon, a French spy in the pay of Louis XV, became famous hy claiming the French ambassador had *tried* to poison him and then hy encouraging speculation as to his sex. The French government ordered him to dress as a woman for the last decades of his life, hut at his death *at the* age of 91 he was discovered to have been a man all along. At the peak of London's interest in the affair, he was the suhject of so many bets that the total was underwritten for £120,000.

Wisely, Judith Summers has not resisted telling a good story, however tenuously linked to Soho. Mozart, who *stayed in Frith Street* at the age of eight, was at home for demonstrations of his genius between 12pm and 2pm. Angelica Kauffman became Joshua Reynolds' close friend *and met* a formidable con-man in Soho whom she foolishly married before discovering he was not a Swedish count but a Swedish count's valet. Marx, as we know, starved in Soho – in a room above what is now the Quo Vadis restaurant. His wife Jenny's predicament inspires Summers' to some *mouvais mots*: "Being the wife of a penniless revolutlonary was no laughing matter." This comment and others like it are presumahly the result of too much information covering too many years.

Summers has chosen to tell the Soho story chronologically as far as possihle, which has the merit of readability hut tends to make the geography *somewhat* confusing. The Great Plague of 1665 and the Graat Fire of the following year provided the first major impetus for Londoners to move hayond the clty walls into what seemed healthier climes. Piccadilly, one of the earliest pieces of land to be (illegally) huilt on, was named after the "piccadillies" or frilled collars made by a successful *tailor* who huilt himself Pickadilly Hall. Over 30 years later in 1672 Christopher Wren designed St. Anne's Church. Neither Pickadilly nor St. Anne's figure in the skimpy index. This is not, therefore, a hook to carry with you and look up the history on the hoof.

Finally, Judith Summers describes the positive work done by the Soho Society to push back the tide of pornography wbich five years ago threatened to overwhelm the area. Long Live the society, and long live Soho.

Rachel Billington

A leaf through the forest

HATFIELD IN Essex is such a small place that if any Englishman is asked where Hatfield is he will prohahly suggest Hatfield in Hertfordshire, home of the Salishury family, or possihly even Hatfield in Yorkshire.

Hatfield in Essex, 3 miles east of Bishop's Stortford and a *mile south of Stansted airport* is Hatfield broad-oak. It has one priceless asset – one and a half square miles of forest. As Oliver Rackham wrote in a previous book: "It is almost *certainly unique in* England and possihly in the world. The Forest owes very little to ths last 250 years. Hatfield is the only place wbere one can step back into the Middle Ages to see, with only a small effort of the imagination, what a forest looked like in use."

Rackham's first task is to deal with the word "forest" itself. In its modern dictionary definition it has come to mean a collection of trees. The Collins English Dictionary gives the meaning:

"*n.1.* A large wooded area having a thick growth of trees and plants. *2.* Tbe trees of such an area. *3.* something resemhling a large wooded area especially in density: *a forest of telegraph poles*".

But in medieval times, says Rackham, a forest: "thsn implied not trees hnt deer. A Forest was an area of roughland on which the king or soma other magnate had the right to keep deer and to kill *and eat them*."

THE LAST FOREST: THE STORY OF HATFIELD FOREST
by Oliver Rackham
Dent £16.95, 315 pages

Hatfield has lts woods but is not all woodland; it also consists of coppices, pollards, scruh, grassland, and deer and cattle.

Rackham *has* produced *a* work of great affection and deep knowledge. Forests, whether medieval or modern, are not a subject of immediate general interest, but this is a book whicb an ordinary reader can pick up and enjoy, learning fascinating facts on the way about the story of a forest through medieval and modern times, a social and rural history in miniature.

There are technical terms, but they are all explained clearly and lucidly in beautiful English. Then Rackham argues for a proper management plan for the forest, he wants it *written* in *plain* and *simple* language, not platitudinous ("increase populations of rare and notahle species") or written in officialese ("mlnimize negative nature conservation effects of obligations"), or loaded witb conservationists' claptrap about "diversity, monitoring or shruh layer."

If we prune away this verbiage, present and future generations may understand the issues. He puts in a plea for the forest against encroachment by the airport, and urges that we should learn from mistakes and failures. But his final sentence is gloomy: "Human nature does not encourage one to he optimistic."

Kevin Rafferty

GARDENING/MOTORING

Images of a genius

Paula Deitz views an exhibition of Gertrude Jekyll's photographs

IN THE early 1890s, Sir Edwin Lutyens showed his friend Gertrude Jekyll early sketches for her new house in Munstead Wood in Surrey. He had designed the house in the Spanish style, and she would have nothing of it. Instead, she and Lutyens travelled around the old villages of Surrey to study the sloping roofs that hooded over windows and rose trellises that trailed over cottage porches.

These images were the building blocks of her sensibility; and from 1885, the year she acquired a large-format camera, to 1914, she photographed these views, capturing the historical character of Surrey, be it a stile and five-barred gate, pollarded trees at a nearby manor house, or the stone arch over the village fountain at Hascombe.

Needless to say, Jekyll's house at Munstead Wood was a triumph of regional forms. And the extensive gardens that she had already begun to lay out by seasons were entered through pergolas, arched trellises and wooden doorways identical to those in her village photographs.

Seeing the photographs now for themselves — reproduced on fine-quality paper — rather than merely as somewhat faded illustrations to her own writings, reveals a creative life that was an elaboration of traditional vernacular forms. Transformed by her genius, these forms developed into the identifiable Jekyll style.

Six albums of Gertrude Jekyll's photographs, numbering 2,151, are held in the University of California at Berkeley in the College of Environmental Design's Document Collection, together with her garden plans and client correspondence.

From these, an exhibition of 101 photographs called *Gertrude Jekyll: A Vision of Garden and Wood* has been circulating around the East coast of the US. It goes to the Arnold Arboretum in Boston, October 13 to December 1; the Godalming Museum in Surrey from January 2 to February 17 next year; and the Museum of Garden History in London, March 4 to April 22.

Although the photographs may have been conceived originally as a record of her own gardens and borders, and of architectural motifs as well as of garden tools, baskets and other paraphernalia of local rural life, they stand on their own as fine compositions. Jekyll mastered photography as she did everything else, in this instance probably under the tutelage of her brother, Sir Herbert.

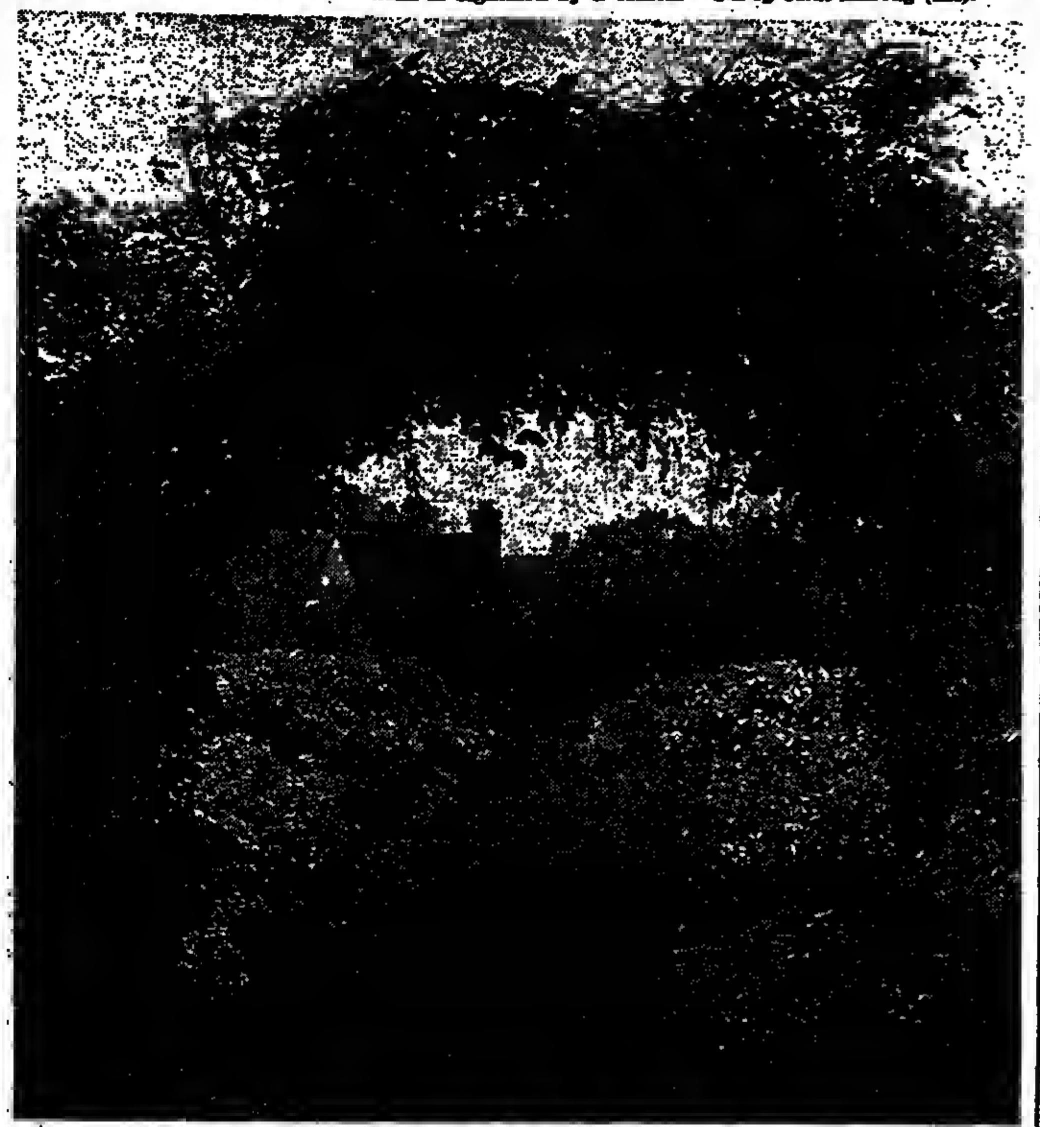
The photographs are unlike the soft focus of other contemporary work by, for example, Frederick Evans. Instead they have the freshness, contrast and detail associated with the French photographer Eugène Atget, who shared the same interest in vernacular architecture and especially in the contorted shapes of trees. Oblique views of a vine-clad stone wall around a bend in the road, entryways and courtyards, are what they saw in common.

It is suggested by the exhibition curators, Michael Van Valkenburgh and Judith Tankard, that photography became a way of seeing clearly for Jekyll, who was increasingly handicapped by near-sightedness. But the photographs are also instructions to others for how best to see her own gardens, and a plan of Munstead Wood is reproduced in both the exhibition brochure and catalogue, with arrows indicating the strategic view points.

In this way, the photographs are also sequential, a walk as it were through a laburnum arch and along the September border to the gardener's cottage in the distance and then, turning around, in another photograph, to go in the opposite direction. In another series, a woodland walk is signalled by a cluster of lilies and ferns that appear to lead the way.

Views of interior room settings with her handicrafts and still-lifes of flower arrangements, with an abundance of Michaelmas daisies, preserve that other aspect of her life as an artist and interior designer. But the last photograph, of children's shoes and stockings strewn across a rustic bench, imply a total abandonment to the out-of-doors. As arranged and captioned, these photographs are really Gertrude Jekyll's autobiography.

■ *The catalogue, which reproduces 88 photographs, has been published by Sagapress Inc. distributed in the US by Harry N. Abrams ($35), in the UK by John Murray (£20).*



Gertrude Jekyll's September garden as viewed through the laburnum arch

A new BMW coupe has been the subject of much speculation in recent years, and above is the first picture of the beast itself. Named the 850i, the car is powered by a 12-cylinder, five-litre engine which produces 300bhp, transmitted through a four-speed automatic transmission or a new six-speed manual gearbox. Top speed is electronically governed to 155mph. The 850i makes its public debut at the Frankfurt Automobile Show in September and will go on sale in 1990.

Time to dam the torrent

Stuart Marshall argues the case for fewer cars on Britain's roads

NEXT WEEK, the floodgates will open and pour a torrent of G-registration cars on to British roads. If last year's volume of F-registrations is repeated — and it is a racing certainty that it will be — more than 400,000 new cars will join the 20.4m already jostling for space on Britain's roads.

Although they rejoice at the volume of business, the huge August bulge worries those in the car industry and trade because it distorts the market. It does no good at all to second-hand values, either. The used-car market is flooded with trade-ins because, for nearly every new car registered, an old one has to find a buyer or be scrapped.

Where it is all going to end? No-one knows how many cars are broken up each year but an educated guess puts the total annual loss at about half the number of new cars registered. Another factor in the car population explosion is the number of unregistered, untaxed and uninsured vehicles being used illegally.

The evidence suggests that the car population is increasing by anything from 500,000 to 1m each year. And the roads? Despite large and growing spending on new ones (mainly motorways and by-passes), the amount of extra space is overwhelmed by the number of new cars available to fill it.

Without wishing to be the spectre at the G-registration feast, one has to ask if the time has not come to slow the rate of growth of car ownership. And although it might be rank heresy for a motoring correspondent to say so, I think it has.

The recent antics of the railway unions, British Rail management, the London Underground rail workers and bus maintenance staff hardly encourage total reliance on public transport. Commuting into major city centres is encouraged by the company car as well as by the awfulness and squalor of overcrowded trains and buses. But where public transport is seen to be better than the private car, people will use it. If not, they won't be forced onto it.

No simple solution is on offer. Road pricing is a possible way of reducing urban congestion. Electronic metering is a technically feasible method. More simply, cars entering cities at the most crowded times of day could be made to carry a supplementary tax disc — Singapore has been doing this for years. But if you fill all the passenger seats, you avoid paying anything extra.

Keeping cars away from the places where they create the biggest nuisance is one thing. Restricting production of new cars is another. The short-term economic consequences of doing so would be dire.

Car industry expert Professor Garel Rhys, writing in a business publication called *Sewells Report*, thinks we should produce even *more* cars in the UK to help our balance of payments. Britain, he says, will still be a net importer of cars even after the Nissan and Toyota plants in Tyne and Wear and Derbyshire (and the Honda plant at Swindon) are churning out well over 400,000 cars a year from 1993 onwards.

Last year, the UK motor industry and trade were responsible for £6.1bn of the total £14.3bn British trade deficit. (Obvious imports apart, many of the best-selling cars you might think were British-made are produced in Germany, Spain and Belgium).

Rhys says that by 1993, the new Japanese plants in Britain will raise our annual car-making capacity to 1.95m units. But forecast demand is between 2.3m and 2.4m. Britain will still face a balance of trade deficit in cars of at least £1bn in 1993. Solving this financial problem might, he thinks, involve even more UK car production. Either that, or government measures to restrict new car demand.

All of this, however, is for the future. Can anything be done *now*, if not to reduce the number of cars on the road, then at least to slow down the rate of growth?

Among the options are making the purely "perk" company car less attractive (the Chancellor has already made some moves in this direction) and toughening up law enforcement on older cars.

The annual MoT (actually DoT) test for cars of more than three years old has been with us for a long time. In theory, it means that every car has to be inspected and certified fit to be used safely on the road. In practice, an unknown but significant number of the older cars one sees (especially in cities and late at night) look anything but safe. Many are probably untested, untaxed and uninsured.

The DoT estimates that between 4 and 6 per cent of the 20.4m cars on the road today have slipped through the tax net. That is something like 1m cars, and a loss of £100m in vehicle excise duty.

Nothing would increase the rate of scrapping of old, unsound cars more than making the owners display the test certificate along with the tax disc; indeed, many European countries do this already. Here, however, the DoT takes a defeatist view. If a car is taxed, it says, it must have been tested and passed because you cannot get a new tax disc without producing the certificate. And it must be insured, says the DoT, because that certificate also has to be produced to get a disc.

Well, yes. But you *can* tax a car for a year by producing a 30-day insurance cover note and a test certificate that has only a few more weeks to run . . .

You see far fewer old, rusty and possibly unroadworthy (not to mention untaxed, untested and uninsured) cars in Germany, Austria and Sweden than you do in the UK. Having to display evidence that your car is road-legal must have something to do with it.

The Japanese are tougher still. There, the cost of having your car tested annually goes up and up the older it gets until, eventually, the test costs more than the car is worth. So, you throw it away and start again — or decide that it is better to use the excellent system of public transport instead.

How art made a garden bloom

FEW THINGS are better calculated to attract attention and stir up controversy than modern art, even if such feelings are usually most strongly expressed by those who know least about the matter.

I am sure that Colonel Ken Grapes, the ever-ingenious secretary of the Royal National Rose Society, had this in mind when he persuaded his Council to enlist the assistance of the painter and sculptor, Diane Maclean, the Eastern Arts Association and others to stage an exhibition of modern sculpture in the society's display and trials garden at Bone Hill, Chiswell Green, Herts.

Between them they attracted a number of artists with different styles and aims, including ex-students and present staff of the Hertfordshire College of Art. Other exhibitors from outside the county included William Pye, who has done work for the new North Terminal at Gatwick airport, and Elisabeth Frink, who will be sending one of her bronze heads to the exhibition in September.

It has already been open for some weeks and has attracted a great deal of attention. Indeed, some visitors have come especially to see it, which was precisely Ken Grapes' hope. In honesty I have to report that I did not find it as good as the similar but larger exhibition staged by the Northern Horticultural Society in its Harlow Car Garden in 1986. It lacks the breadth of that fine display and has nothing that to my eyes attains the beauty of some of the Yorkshire exhibits.

However, I would be very happy for William Pye's Brimming Bowl in patinated bronze to remain at Bone Hill, as long as the RNRS can afford to keep it in the centre of the circular pool at the end of the floribunda rose walk, where it is a great improvement on the unimaginative fountain that used to spout there. I also liked another, much smaller work by the same artist, confusingly labelled Plateau but in fact a pair of contrasted bronze bowls constantly filled to the rim.

However, the really good news is that the Royal National Rose Society's garden seems at last to be firmly established on the tourist circuit. No doubt the exhibition has helped a little this year, but the increase in numbers of visitors commenced long before it opened. There has been an 88 per cent jump in the revenue at the gate so far this year, and a stream of applications by parties wishing to visit the garden by appointment after the normal 5pm closing time.

It is the reward of a five-year plan which has included restoration of both house and garden, an upgrading in the standard of cultivation of the garden and a considerable diversification in its planting. Probably the last item was hardest to achieve since rose growers tend to become so devoted to their own loves that they have little room in their hearts for any others. There are not enough tourists with a similar single-minded dedication to encourage tour operators to organise special parties to see such exclusively angled gardens.

All that is now changing. Roses still dominate the garden at Bone Hill, but suitable partners are being added all the time. When I visited the garden recently the most photogenic pillars in the great semi-circular pergola were not covered with roses but with purple canoples. The hardy geranium Johnson's Blue has long been a feature at Bone Hill and other herbaceous perennials that bed well with roses are being added constantly. The garden is no longer dependent for colour solely on the fluctuating performance of even the most perpetual flowering roses, and it is all the better for that.

Various organisations, including the London Tourist Board, the East Anglian Tourist Board and the Thames and Chiltern Tourist Board, have become aware of the beauty and interest of the garden and have found it worthwhile to promote it.

Coach operators now find it profitable to visit, especially when they combine it with nearby Hatfield House, which has magnificent gardens of a very different character and the added attraction of a long and fascinating history.

I hope that this trend will continue, for it is precisely what is required to ensure the prosperity and continued activity of one of Britain's most respected specialist horticultural societies.

Arthur Hellyer

VW gets tough on the rough

TAKE A minibus and a builder's truck, graft them together and you have VW's latest luxury recreational vehicle, the Tristar.

This five-seater rides like an long distance coach and carries half a ton. With permanently engaged four-wheel drive, it goes confidently even on the most slippery roads. On farm tracks, deep in mud, it tends to follow the ruts instead of going where you want it to, but a lockable rear differential and a viscous-type centre coupling give plenty of traction.

Though not in the Land Rover class, it tackles quite rough country in considerable comfort. With a 2.1 litre, fuel injected engine putting out 112 horsepower, it makes a very good towing vehicle.

The gearbox has five speeds, the lowest of them a crawler for difficult conditions. Because it lives at the back of the vehicle (so does the engine) it feels unpleasantly remote from the gear lever.

On the motorway, the Tristar is quite fast enough to keep up with the pack, though in windy weather it is inclined to wander about and has to be held on course. Fuel consumption is between 21 and 25 mpg (13.45 to 11.3 l/100 kms) according to how you drive. There is a useful locker under the floor for storing things you would not want to be on view. Price is £19,893.

Bridge

MY hands today are both from rubber bridge. Look at this no trump contract:

N
♠ A 6 2
♥ A J 10 8 3
♦ 6 3 2
♣ J 6

W
♠ 9
♥ K Q 5
♦ A 10 9 8 5
♣ 10 8 5 3

E
♠ K 10 8 5 4
♥ 9 7 4 2
♦ Q 7
♣ 9 2

S
♠ Q J 7 3
♥ 6
♦ K J 4
♣ A K Q 7 4

With both sides vulnerable, South dealt and started the bidding with one club. North replied with one heart, and South rebid one spade — three routine bids. But now North was faced with a problem. He solved it by bidding two diamonds, the Fourth-Suit-Forcing convention, which is part of the Acol system. The bid does not indicate any particular holding in the diamond suit, but it announces about 10 high card points, and asks his partner to describe his hand further. Holding king, knave of diamonds, a good club suit, and 16 points, South without hesitation jumps to three no trumps.

West opened with the diamond 10, top of an interior sequence, and East produced the queen. If West has led from a suit of five cards, East has only two diamonds, so the declarer allows the queen to win. East continues with his other diamond. South plays the knave, West wins with his ace, and clears his suit by leading the nine. Taking with his king, South cashes five rounds of clubs, and runs the queen of spades. East wins, but the declarer's contract is safe.

I apologise for the fact that the hand involves no special technique, but I did wish to bring to notice once again the Fourth-Suit-Forcing convention.

Here is the second hand:

N
♠ 6 5 4 2
♥ A J 10
♦ 9 7 3
♣ A 10 9

W
♠ J 9
♥ 9 7 5
♦ A Q 6 5
♣ K Q J 6

E
♠ 10 3
♥ K Q 8 2
♦ 8 2
♣ 8 7 5 3 2

S
♠ A K Q 8 7
♥ 6 4 3
♦ K J 10 4
♣ 4

South dealt at game all, and bid a spade. West could only pass, and North raised to two spades. South's hand is worth one further effort, so he bid three diamonds. This is a trial bid, telling his partner that there are prospects of game, if his raise was maximum, or if his hand fits the opener's second suit. With two aces, North raised happily to four spades.

West led the king of clubs. Winning with dummy's ace, declarer drew trumps in two rounds, then finessed the knave of hearts. East won with the queen, and returned a club, which was ruffed in hand.

Now the 10 of hearts was finessed, but East won again with the king, and forced South with another club. Crossing to the heart ace, South led the nine of diamonds, but West held both ace and queen, and the contract failed.

Unlucky, you say, four key-cards were wrong. No, the declarer played without any thought — the contract is cold. After drawing trumps, he should lead the four of diamonds, and the queen wins. We will suppose that West switches to a heart. The knave loses to the queen. East leads back a club, and South ruffs. The diamond king forces out the ace, and West leads another heart. Declarer wins with dummy's ace, and dummy's last heart is discarded on the fourth diamond.

Once again the finesse lures declarer to his doom.

E. P. C. Cotter

Merrie England

Dover for rovers

Home-bound ferry passengers who rush back to London on the motorways are missing some of our prettiest villages, says Roger Beard

TRAFFIC ON the Dover road never ceases. As you cut your way through the back reaches of south-east London towards the M2, dawn is signalled in the headlights of the juggernauts lumbering their way up from the ferry.

A hour-and-a-half later, with barely a glance to left or right, you have arrived. M2, A2, London, Dover,the ferry: 80 miles of some of the most beautiful countryside in England has passed in a blur. It is the ritual start to the summer holiday for thousands.

They will return via the same route, at the same speed, tanned but in a temper, and not only miss Dover town itself, but also the minor glories of Kent just a slip road away to the left and right.

This summer, do yourself a favour. Instead of following fellow passengers up the hill from the port to the London road beyond, linger a while in the town and navigate your way home through the lanes and tracks of Kent.

For there is another Dover beyond the immigration desk and customs point; as old as the Iron Age, settled permanently since the Romans, rebuilt by the Conqueror and immortalised by Shakespeare and Vera Lynn. Napoleon and Hitler both stared covetously at it through their spy-glasses. For the price of a car-park ticket, you can walk where they never walked.

First, the Romans. Dover is the home of the country's one Roman lighthouse, but how many have walked up to the castle grounds to see it, let alone the massive castle keep, banqueting hall and all? Dover Castle is unique among such monuments. The others were built to keep the natives in. Dover was built to keep the foreigners out.

Then there is the museum at Maison Dieu House, not as imposing a building as the hospice at Beaune, say, but nevertheless dating originally from the 13th century. Add the monuments to the early aviators for whom crossing the Channel was the equivalent of reaching the moon, and those of the peculiar breed which choose to swim the Straits rather than brave the ferry, and there is enough in the town to repay at least a morning's curiosity.

The real Dover, though, is one of ghosts, exiles, the flotsam and jetsam of the ages passing either way from oppression to freedom, the Channel packet passengers who thronged Dover before the age of the motor car or aeroplane. Walk its streets, past the ever-present Seamen's Union picket, through the Dickensian alleys, and you can feel them.

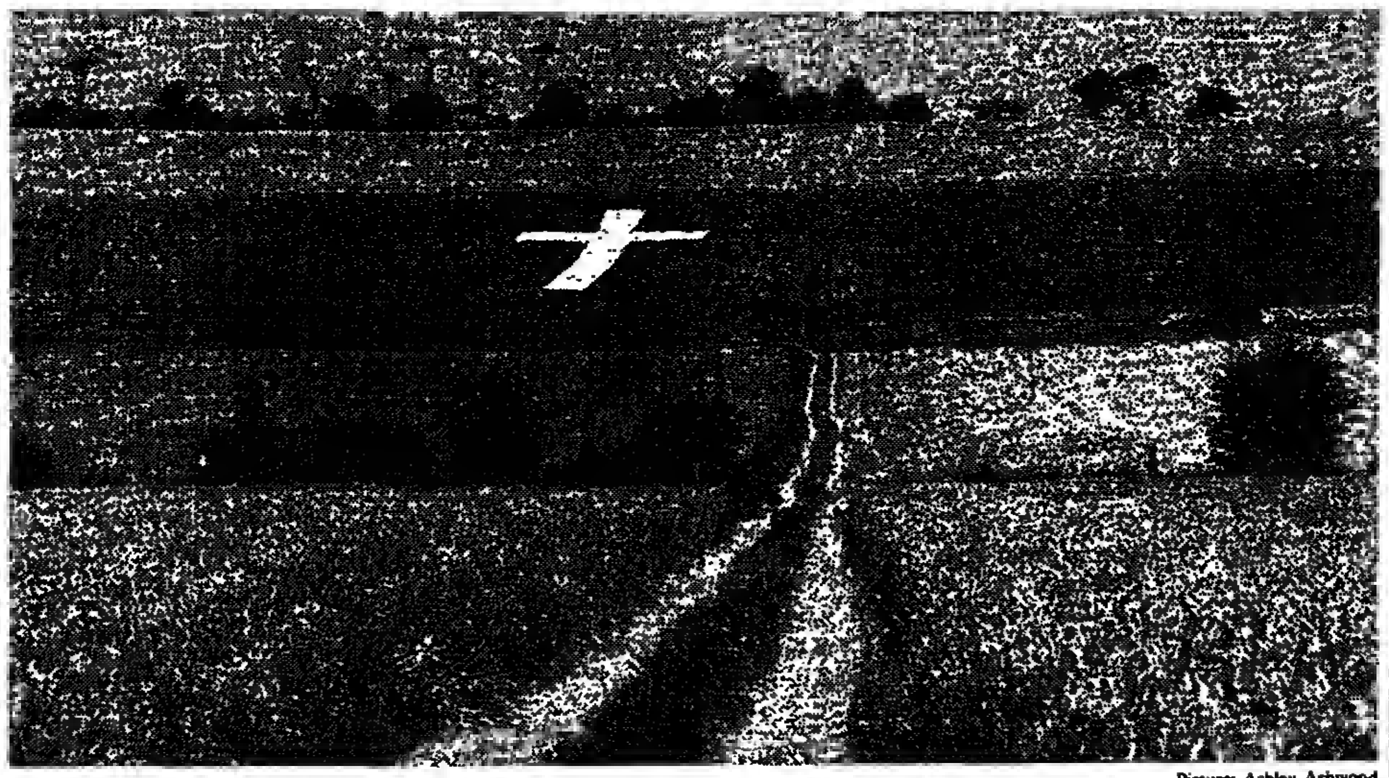
All of which is lost in the manic motorway scramble from the ferry to the freeway. Far preferable is the pretty way home, meandering across country through Alkham and Elham, on through Stelling Minnis to Wye and Boughton Aluph, village hopping up to London. You can follow the line of the North Downs between the nightmares of the M2 and M20 without so much as a contraflow or motorway cone, almost to London.

In a day, you will have rediscovered the England that the Department of Transport planners forgot, and which the Chunnelers must never lay their hands on. You will go up, you will go down, you will almost certainly get lost. But you will have wiped the smell of the ferry from your nostrils and the memory of motorways from your mind.

Alkham, on the B2060 four miles west of Dover, starts the homeward roll through the Downs. In a remote dip, it is the first touch of home — all turf and trees, and on a small scale which counter-points the vast distances just across the Channel.

The ghosts are here, though, from Iron Age encampments to long-abandoned Norman piles. In the Nailbourne valley, the river is normally dry. When it re-appears, local superstition says it foretells disaster. They may no longer dress their wells, but Celtic sprites and water fairies still guard them.

A hack road from here crosses the A260 to Elham, the sweetest of all the Nailbourne villages, with its flint and ragstone church, mediaeval houses and coaching inns. It could be nowhere else but England. Further up at Wye, on the Great Stour, the crest of the Downs rises to above 500 ft, with rolling views on either side. On a good day you can see as far as Ashdown Forest, 40 miles to the north-west.



Downland dreams: a commemorative cross carved in the North Downs chalk near Lenham, Kent

Picture: Ashley Ashwood

As close as a car can get to the old Winchester-Canterbury Pilgrims' Way is another stunner, the linked villages of Boughton Aluph and Boughton Lees. Harold Godwinson once owned the land before they laid out the triangular village green and cricket pitch, and a bastard son of Richard the Third — the last Plantagenet — is said to be buried nearby, having worked out his post-Bosworth Field days as a brick-layer. Who said that the French have all the history?

Charing, just off the A20, also has its French connection. Now all weatherboard and brick, it is where Henry VIII stayed at the Archbishop of Canterbury's country palace on his way to an early Calais ferry and the Field of the Cloth of Gold. The pew ends at Charing church are carved with the Saturnine face of Jack-in-the-Green, the Celtic spirit of spring, with what look like hop shoots in his mouth. The palace has long since been absorbed into a farmhouse, while Jack-in-the-Green appears today only on beer mats.

From Charing, keep close to the line of the A20 towards Maidstone, veering off to Lenham and Leeds, before passing through Maidstone to Allington on the Medway, or alternatively by-passing Maidstone to the south on the B2163. From here on, the pretty way home touches inevitably but briefly on major roads.

Lenham village square is a place to linger. You would hold it as your personal secret, had you found it abroad. The Downs are above you now, towards West Street and Ringlestone. It was behind a shop on the village square at Lenham that they found not only a 15th century hall house, but also the skeletons of three fully armed Saxon warriors, buried in its foundations nine centuries earlier.

As for Leeds Castle, it is simply the most romantic setting in southern England. Given as a love token by Edward I to his wife Eleanor of Castile in the late 13th century, and 150 years later the venue of the love match between Catherine, Henry V's widow and Owen Tudor, this castle on a lake is now a conference centre. The village — again typical Kent - is about a mile away on the B2163, which will bring you towards East and West Malling, and Offham.

The villages come thick and fast here. Allington, just south of the M20, also has its moated castle. Here they rebelled against the Catholic union of Mary and Philip of Spain, the castle owner was executed, and today it is a Carmelite retreat.

The Mallings have long since become gentrified, but their architecture is none the worse for that. West Malling's Norman keep was built by Bishop Gandulf of Rochester, while Offham, above the Medway valley, with its green and Georgian houses, is an estate agent's dream. Close to 50 years ago, the skies above them reverberated to the sound of Spitfire engines in the Battle of Britain.

The nearer you get to London, the greater must be your ingenuity in avoiding the motorway, nowhere more so than at Wrotham, sandwiched between the M20 and M26 and in a triangle bounded to the west by yet a third motorway, the M25. Wrotham is a pretty place in its hollow under Wrotham Hill, set deep in the heart of commuter land, but the road builders have taken away its magic.

Motoring on through the byways of this M-way triangle, the last village you reach before the M25 is Eynsford, once as renowned for its hand-made paper as Amalfi and now the stop-over point for the Lullingstone Roman villa.

But by this time, your homebound trip is complete. Eynsford you can take in when you are more used to the route. Ahead of you lie the outer reachers of London. The journey may have taken a day, but it should have restored your sanity.

■ **To plan the pretty route from Dover to London use either the *A-Z Great Britain Road Atlas* or similar map compendium on a 1:200,000 scale, or individual road maps. For further information on the villages en route, consult *Beautiful Britain, Southeast England*, published by the AA (£9.95) and available from bookshops.**

Centers of excellence

***John Griffiths** on a holiday camp run with Continental flair*

IT BEGAN with the grim acceptance that even the nicest small child has the cultural appetite of a gerbil, and travels about as well as a dubious *cru* from Algeria. Florence and four-year-olds do not mix. An odyssey of cries and whimpers to some far-flung spot like the Grand Canyon inspires only the urge to test its depth with flung-far offspring.

In any case, why *should* small children suffer the holiday whims of adults? Which is how, by divers ways and scenes, we came to admit partial defeat in the vacational stakes, and stumbled upon Center Parcs in the process.

The middle-class British at which the Dutch-owned UK Center Parcs are being aimed, without as yet hitting the majority, can be a bemusing lot. Mention that it is your declared intent to travel to a fenced-in site of around 500 acres, there to mingle with 2,500 other souls for the purpose of holidaying, and the typical reaction is a faintly polite "how interesting."

But then, in their defence, *only* the British have had the term "holiday camp" burned into their collective psyche, with its horrific images of vacuity and regimentation.

It is a reaction we have encountered frequently in trying to explain that a Center Parc "isn't like that," and in being prepared to bet that by the time the fifth Center Parc is built in the UK in the mid-1990s — the second, £70m centre is to become operational in Elveden Forest, Norfolk, next week — they will be as much a part of mainstream British life as they are of the Dutch, who have had 22 years to get used to them, and of other Europeans, more than 2m of whom use Center Parcs each year.

The "villages" fulfil what seems a valuable function in the uncertain climate of Northern Europe. They allow a family to go at any time of year to a centre where a huge range of mainly sports-based activities can be enjoyed, in defiance of the weather. And they offer standards of accommodation — measured by thoughtfulness, efficiency and cleanliness rather than luxury — which lie outside the mainstream British holiday experience. Not least, all the activities go on in an environment from which the car has been banished.

We first went to a Center Parc, in Holland, four years ago, fearing the worst and finding instead a children's heaven which also required no parental gritting of teeth. Yet when we heard that it was intended to open one in Sherwood Forest in 1987, we were convinced that it wouldn't work, for all the depressing reasons linked to much of the UK holiday industry's determination to offer service standards that suit itself rather than its customers.

Because of the numbers of people present at a Center Parc, management is a high-wire act; very little needs to go wrong for the whole thing to unravel. In Holland and Belgium there is 100 per cent occupancy booked a year ahead, a claimed 70 per cent of which is repeat business.

This is because the food is of consistent high standard; the changing rooms, bars, restaurants and public areas are spotless; all sports equipment is in good working order, and the staff seem highly motivated. Adroit capacity planning means there is no impression of overcrowding. An army of 600 cleaners per village restores each villa weekly.

Center Parcs International, which began life as Sporthuis Centrum Recreatie in 1967 and was 40 times over-subscribed when floated on the Amsterdam stock exchange in 1985, has had plenty of time to refine the concept. There are now eight villages in Holland, two in Belgium and one in France.

But even if the UK parcs started out well, we couldn't have envisaged even the most dedicated Dutch-led management team being able to maintain continental standards in Britain. Or at least not for more than a few months, in the face of the sheer volume of visitors — the £50m Sherwood village catered to over 300,000 last year — and the apathy so pervasive in British service industries. But so far we have found no difference in standards between Sherwood and its continental counterparts.

Irrespective of whether you are staying for a long weekend, a mid-week break, a full week or a fortnight — the last is not really to be recommended — there are just two arrival/departure days. This means that *for* five out of seven days the small, winding roads which thread their way past the villas through the *de rigeur* landscape of forest and lakes are free of cars. You walk or go by bicycle (rent or bring your own).

Life at a Center Parc is as outdoor as you want to make it: sailing, canoeing, windsurfing, angling, horse-riding are available in-house, and each parc maintains close links with local golf clubs, clay pigeon shoots and similar centres.

Even so, life tends to revolve around the pool complex, although to talk of the parc having a "pool" is to describe Brighton Pavilion as a bathing hut. Most of the existing parcs, including Sherwood, contain a leisure pool with wave machine, water slides, whirlpool baths, solaria, "wildwater" pool and ride, children's pool, bar and coffee shop, *all* within a giant glass geodesic dome. Housing also a mass of semi-tropical trees and shrubbery, the dome's interior is kept at a constant 84 F.

This type of dome was installed at Sherwood Forest and has surrounding it, scattered across an open-air plaza, six restaurants, which includes a supermarket which includes a delicatessen and liquor departments of continental variety and quality. There are also two much less attractive facilities: a souvenir shop offering neither a great deal of tat nor much good taste, and indoor bowling.

In mid-winter the exposed plaza can be bleak, so in the village at Elveden the concept has been further refined by placing all the main "village" facilities under glass. Thus is created an enormous Crystal Palace of a structure, extending over many acres. Apart from seven restaurants and many of the sports facilities, including several tennis courts and a fitness centre, it also encloses a Parisian-style sidewalk bar, with extensive tropical gardens and pools providing a habitat for tropical wildlife, including a flock of flamingoes.

What will *not* be found is any form of packaged entertainment.

Peter Moore, Center Parcs' marketing director in the UK, recalls that it was in this area, more than any other, that there were misunderstandings when the Sherwood village first opened its doors.

"We tried to convey in our initial promotion that Center Parcs aren't 'holiday camps' in the way that the British have known them. We tried to indicate that anyone looking for discos, ballroom dancing, glamorous granny competitions or anything similar was going to be disappointed."

Despite that, Moore acknowledges that in the opening months there were many bookings from people who had not really taken on board what the village was about, and who complained bitterly about not having facilities such as organised entertainment. "That type of customer has returned to more traditional venues and, like the Continent, we've got substantial repeat business from the type of core customer we want," he says.

After three visits, we reckon that the child boredom quotient for up to a week can be guaranteed at zero. Each villa also has piped-in children's video programmes and feature films, and both satellite and ordinary TV.

Whether it would work for a second week we don't know, because we have never tried it. We think the natural *forte* of the Center Parc is to provide a short break, not a main holiday, and suspect that it might wear a bit thin for adults, if not for the children.

■ **Elveden has 615 standard two- to four-bedroom villas, 10 purposely designed for the disabled, 25 more luxurious ones with facilities such as whirlpool bath, and 90 serviced apartments in a block which includes a revolving French restaurant.**

This year, prices at Elveden were fixed at between £107 for a mid-week break in a two-bedroomed villa in mid-December and £626 for a week in a four-bedroomed villa in August. Bookings already stretch well into 1990.

TRAVEL BUSINESS

Late-booked blues

THE Great Holiday Rush begins in earnest this weekend as Britain's package tour operators count the cost of the heatwave and media coverage of airport chaos. The broiling weather of recent weeks has deterred many late bookers who would have snapped up last-minute package deal bargains.

At the same time, the return of airport delays caused by industrial action on the Continent — *lengthy delays* are again expected this weekend — has also persuaded late bookers that a trip to one of Britain's seaside resorts is preferable to sitting in a marquee at Gatwick Airport.

Trade estimates suggest that the overall market this summer is between 5 and 15 per cent down; the variation depends on whether the operator is feeling optimistic or not.For example, Charles Newbold, managing director of Thomson Holidays, believes that "the final outcome this summer will not be as bad as the industry feared at the beginning of this year."

Newbold is also pleased that the major operators have avoided the temptation to "dump" holidays at silly prices, such as the £49 return fares with accommodation offered to the Mediterranean a couple of years ago. The proportion of discounted holidays offered by the large operators this year is understood to be less than a tenth of total holidays sold, compared with nearer 20 per cent for some operators last year.

The tougher line on discounting was prompted by the sharp slump in tour operators' profitability in 1987, when figures from the Civil Aviation Authority showed that the top 30 operators using charter airlines made an aggregate net loss of almost £25m.

New figures from the CAA this week showed that the top 30 operators fared a little better last year, making an aggregate net profit of £15.5m, although this represented a mere 0.5 per cent of their combined turnover.

Even so, independent travel industry consultant Michael East, of Eastcastle Management, believes that there is "a significant amount of product still to be sold which is not selling even at cheap prices."

Andrew Rusack, managing director of Pickfords Travel, adds that "the major tour operators still have 20 to 30 per cent of their capacity left for August."

What there is a shortage of, however, is top-quality holidays offering better hotels; the bargains that are left are those where there is little choice of destination or accommodation.

Whether these holidays actually get sold is not the most pressing question on tour operators' minds at present. What is vexing them is when they should launch their brochures for next summer's package holidays. These launches have tended to creep forward: last year they started in mid-August.

The reason is that there are commercial advantages in capturing that small segment of the market that wants to book early. The drawback is that a premature launch loses momentum. As a way out of this dilemma there is a suggestion in the travel industry that the major operators may uncharacteristically enter into a gentlemen's agreement to delay their main brochure launches until September at least.

* * *

Part of the slump in the package holiday market has been caused by the growth of timeshare properties in recent years. Some 150,000 British families are said to own a timeshare property either in the UK or abroad, and there are an estimated 3,000 new purchasers a month. Such growth has not been without its problems, mainly over the selling methods used and the low resale value of many timeshare properties.

The Office of Fair Trading this week announced a wide-ranging inquiry into all aspects of the timeshare industry, which is due to be completed early next year.

Sir Gordon Borrie, director general of fair trading, said that he had received large numbers of complaints about timeshare relating to a number of problems.

"I invite anyone — consumers, solicitors, consumer advisers, companies in the timeshare business — with a knowledge of timeshare to write to my office with their comments and suggestions," he said. "But I do not want to hear only about the problems: I should also welcome information about the benefits of timeshare."

The OFT's address is Room 106, Field House, 15-25 Bream's Buildings, London, EC4A 1PR.

David Churchill

DIVERSIONS

Publishers in turmoil

Linda Christmas on an industry that isn't going by the book

WHICH IS THE best way to produce books: from a small base or a large fortress? This seemingly simple question has produced turmoil in the British publishing industry in the past decade. The target is a slice of a huge market: 300m people speak English as their first language. Specialist books have been sold globally and very successfully for many years. The publishers of general books would like to copy this global approach.

The drive for "internationalisation" lies behind the flurry of mergers and take-overs in recent years. But the merger moves did not come out of the blue; since the 1960s, it had been obvious to some that British hardback houses were too small. So, they began coming together tentatively, hoping for the best of both worlds: sharing the costs of expensive services while still enjoying the benefits of independence.

But the dance, once started, has been impossible to stop and, with ever more mergers and take-overs, there is less pretence that it is possible to have the benefits of size without a loss of independence. The dazed expressions of a couple of years ago are as nothing compared with the bewilderment of today's publishing industry.

Cosy v. Conglomerate is no easy question. There are as many views as there are highly-talented people within an industry that attracts individualists. The conglomerates argue on two fronts. They say:

■ Size is needed to make the industry efficient and competitive by lowering the costs in expensive areas such as warehousing, distribution and computerisation.

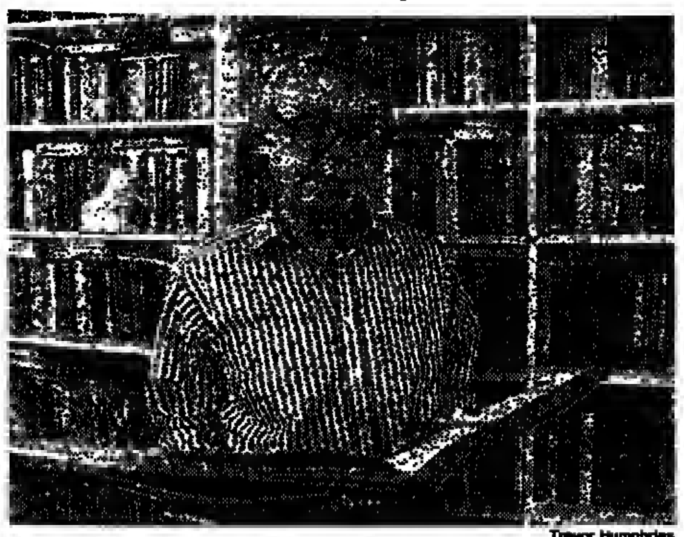
■ Vertical integration — hardback and paperback houses under one roof — is essential. In some cases, bookshops are included in the vertical package.

Those in the Cosy corner argue that the advantages of size are a myth; that shared facilities are more costly; and that, at the same time, there is a danger of edging towards an homogenised product. They believe that only a small house can nurture authors and produce books of worth and diversity. This fundamental cultural conflict is so strong that, often, those who refute the joys of size quit and start all over again on their own, determined to prove that you do not have to be big to survive comfortably and happily.

The first round of disaffections produced Bloomsbury, boasting the production, within two years, of 15 books that have made it to the best-seller lists and a turnover in 1988 of £6m. The profit on that figure is, however, a closely-guarded secret for the moment.

This month, Christopher Sinclair-Stevenson, one of the most respected figures in publishing, quit as managing director of Hamish Hamilton (which, for the past four years, has been part of Penguin UK) to set up his own company. He had been with Hamilton for 29 years, since leaving university.

Sinclair-Stevenson's career mirrors developments in publishing. When he arrived, the house was independent and the founder, "Jamie" Hamilton, firmly in place as a rather old-fashioned, autocratic head. Within five years, Hamilton, whose son had no desire to enter the business, sold the company to Thomson International. When Lord Thomson died, so did the company's interest in general publishing. It preferred to concentrate on the more profitable specialist sector.



Sinclair-Stevenson: "I wasn't in charge any more" Trevor Humphries

Penguin's Carson: "I have no right of veto" Lydia van der Meer

Sinclair-Stevenson was happy initially at the thought of the Penguin takeover. Looking at the options, it seemed the most attractive; but, at Penguin, he was not going to be left alone to run the company. Penguin has a policy of slow and gradual centralisation. First, there were changes in the sales force. Hamish Hamilton retained its own representatives for London, the south-east and Manchester but, elsewhere, shared them with others members of the group including Michael Joseph (taken over at the same time) and Penguin's own hard back imprint, Viking.

"From a cost point of view, this may seem fine," says Sinclair-Stevenson. "In the south-west of England, with fewer people and fewer bookshops, one rep. could handle the three houses; but, to me, it is dangerous. It means that one rep. is handling 350 to 400 books a year and, in such circumstances, books that need a special push — first novels, solid biography, books of essays or travel writing — instead have a hard time.

"As far as I'm concerned, the reps. don't like the new set-up and nor do the booksellers. I suggested that it was not working too well and was told that Hamish Hamilton was not making enough money to justify having its own reps. My argument was that if I had my own reps. I might make more money!" Later came the centralisation of book production; the jacket design, the printing, the pricing of the book and the selling of rights.

With these responsibilities removed, Sinclair-Stevenson saw that his role as managing director was being eroded. "I wasn't in charge any more . . . I don't agree with the Penguin approach. I don't believe that centralisation is the answer. It's a myth to think that it is cheaper. We had to pay a percentage of turnover for those services, and I could have provided them cheaper without any loss of efficiency. Furthermore, the integration of hardback and paperback rights does not work well for authors . . . I prefer to treat each book individually."

Overall, Sinclair-Stevenson believes that the large company with global ambitions is fine for the big books, but that the less-obvious books get lost in the corporate whirlpool. He adds: "No, this doesn't mean that, with my own company, all authors will be treated equally. It isn't possible — but I hope no one gets lost!"

The model for that company is Bloomsbury, which Liz Calder set up when Cape went under the corporate cloak of Random House. She was the editor of Sinclair-Stevenson's own books, and he is published by Bloomsbury now. He is hoping that some of the many famous authors he has published at Hamilton (Peter Ackroyd, Paul Theroux, William Boyd) will decamp to his banner, but is not prepared to name names. He plans to publish the same type of books: literary novels, biography, history and travel, growing from 25 to the first list to perhaps 70 or 80 a year, but never more than 100. He has commissioned his first book already — a history of Hamish Hamilton.

At Hamilton, his old job of managing director no longer exists. Instead, the head of the house, Andrew Franklin, is called "publishing editor." Franklin is not from within Hamilton but comes from Penguin. Peter Carson — who was the publishing director of Penguin and is now the editor-in-chief of Penguin UK — realises that the appointment might be seen as further Penguin encroachment but insists that the job went to the most suitable candidate. The MD status has also gone from Michael Joseph but, here, the new publishing editor came from within.

Other changes have occurred. Carson will also be involved with the editorial fortunes of all the group's adult publishing, including the appointment of editors. But he insists: "I have no right of veto; it's merely a right of discussion. After all, editors are responsible for acquiring books, so I'd like to know who is doing the acquiring."

He views the changes as part of a process that started four years ago. "The notion that, as businesses, Michael Joseph and Hamish Hamilton could be independent is largely illusory. They are part of Penguin, which is centrally-run. But, in my view and to my knowledge, their editorial autonomy has not been reduced." He denies there is any intention, ultimately, to have the three hardback houses under one imprint. "What would be the point? It would become too big and characterless."

Carson believes in Penguin's corporate approach and argues that centralisation aids efficiency and brings down costs. He also believes that it is extremely difficult for independent publishers of quality hardback books to flourish in Britain without the aid of a paperback ally. In these respects, Carson and Sinclair-Stevenson are at odds.

In some other respects, they are uncannily similar. They are both 50, they were at Eton at the same time and both went to Cambridge (different colleges). Carson might have chosen an academic career, Sinclair-Stevenson might have chosen the military; instead, both entered publishing on leaving university. Carson went to Longman, which was taken over in the mid-Sixties by the Pearson group along with Penguin. When Longman closed its general list in 1973, he moved across to Penguin.

Differences of opinion over the way forward for British publishing have nothing to do with backgrounds, which often condition attitudes to radical change. A cynic might say it has something to do with Sinclair-Stevenson, as a writer himself, being closer to books (Carson has no desire to write), or that it is easy enough to promote corporatism when you are the taker-over rather than the taken-over.

I would prefer to conclude that the fundamentally different ideas of two such able and equally-admired men reflect the complexity of the Cosy v. Conglomerate debate, and the confusion within the publishing industry today.

Bonded labourers in India. The law says they shouldn't exist — but an estimated 5m remain

Where slavery lingers on

P. M. Elstob discusses the work of an old-established society that is dedicated to all humans being free

WHEN HE gives evidence to the UN working group on contemporary forms of slavery in Geneva next week, Peter Lowes, director of the London-based Anti-Slavery Society, will be carrying on a tradition of humanitarian agitation that traces its descent from the band of campaigners led by William Wilberforce early in the 19th century. And yet, despite its cause being acknowledged universally as just, the society — which this year marks its 150th anniversary — seems to inhabit a blind spot in the collective conscience of both the West and those developing countries against which most of its charges are laid now.

As Lowes himself is the first to point out, the society has to battle constantly to prove its credentials and must, moreover, fight on more than one front. "In the First World, everyone knows slavery is dead, buried alongside Wilberforce in Westminster Abbey. We are often seen as not necessary or, at best, irrelevant.

"In the Third World, on the other hand, we face two lines of resistance: the multinationals feel threatened by our research while governments and officials see us as white faces seeking to exorcise a colonial past."

The modern society concerns itself with what both it and the United Nations term forms of contemporary slavery. The UN defines three main types:

■ Chattel slavery, or the total ownership of one person by another. This probably is what most people call to mind when they think of slavery and it never has been suppressed entirely. According to the society, it has recurred recently in the Sudan.

■ Debt bondage, or bonded labour. This is defined as "the pledging of labour for an unspecified time to pay off a debt" and is, the society says, entrenched in the Indian subcontinent and other parts of south Asia, as well as South-East Asia and parts of South America. It also occurs in Western countries.

■ Child exploitation. One situation singled out by the society is the 100,000 juvenile workforce labouring in the loom sheds of India's carpet-making belt in the state of Uttar Pradesh. Definition of child exploitation is problematic but a new case study, which indicts both the Indian Government and British commercial involvement in the Indian carpet industry, claims to provide an unambiguous example.

This year, the UN working group has set itself the theme of exploitative child labour, including bonded child labour. Lowes is taking with him to Geneva three anti-debt bondage activists, co-opted for the occasion as society delegates.

At the beginning of July, anti-debt bondage activists from five south Asian countries — India, Pakistan, Nepal, Bangladesh and Sri Lanka — attended a seminar in New Delhi on child servitude in the region. It was the first event of its kind. Officially, bonded child labour is illegal in all the countries concerned. But the seminar heard from 22 children, all former bonded labourers. Most were from different parts of India although two were from Pakistan.

The seminar was opened by P. N. Bhagwati, a former Chief Justice of India who, in a judgment in 1983, was uncompromising in his condemnation of debt bondage and its continued toleration in modern India. He said: "This system under which one person can be bonded to provide labour to another for years and years until an alleged debt is supposed to be wiped out, [but] which never seems to happen during the lifetime of the bonded labourer, is totally incompatible with the new egalitarian socio-economic order which we have promised to build. It is not only an affront to basic human dignity but also constitutes a gross and revolting violation of constitutional values."

Under India's 1976 Bonded Labour System (Abolition) Act, all bonded labourers were declared free, discharged from their obligations and had their debt liquidated. The state governments have reported that up to March 31, 1987, some 219,285 bonded labourers had been identified and freed, of whom 185,083 had been rehabilitated. But the Bonded Liberation Front says a conservative estimate of the number of labourers still bonded is 5m, of whom 80-90 per cent come from the scheduled castes and scheduled tribes.

South Asia is by no means the only region where contemporary forms of slavery (within the UN definition) exist. There are, the society claims — again, at a "conservative estimate" — 800,000 child prostitutes in Thailand, 36m "street children" in Brazil and an unknown but growing number of chattel slaves in war-torn Sudan.

The society classes enforced child prostitution as merely a particularly pernicious form of child slavery. Thailand is considered the worst offender and was — until recently, at least — the only country where children could be sold openly.

According to the society, pretty children of both sexes are sold for around £80 around Bangkok's main railway station. The children, some as young as seven, usually are lured from their parents by so-called "fisher women" with promises of a respectable job and education and a "first instalment" of their child's miraculous new salary of £12 a month.

The street children who inhabit the mushrooming cities of Latin America are nominally free "entrepreneurs." They shine shoes, sell newspapers and collect rubbish, but their existence is precarious and often depends on the grace of corrupt police and other officials. They live in groups and find some protection from the camaraderie and mutual help of these vagrant cohorts. But it is not uncommon for them to be forced to rent their bodies to survive.

Africa is another case. In the days of Britain's empire, the society could put pressure on the Foreign and Colonial Office to have slavery stopped, as it did in Sudan. But today, in the confusion of the long civil war there, slavery has broken out again. The victims invariably are southerners, mainly from the Dinka people, while the traders and owners are Arabic-speaking northerners.

Raiding parties sweep down on Dinka villages, as they did for centuries, carrying off cattle and children. The society suspects strongly that the raiders have been armed and financed from Khartoum, although the recent coup might change that.

Given all of this real suffering, why has the society failed to capture people's imagination and to tap the generosity from which other causes have benefited? The answer seems to lie in its image. "Our hallowed and establishment prestige, even our high standing in Third World circles, does not appeal to the type of young person who wants an immediate emotional cause," Lowes concedes. "The irony is that we pioneered many of the causes they espouse, such as the Brazilian rain forest, to say nothing of our having ante-dated Amnesty International and Oxfam by well over 100 years."

At the other end of the social scale, the society has not been too successful, either. A recent attempt to organise a fund-raising dinner at the House of Commons had to be abandoned due to lack of response. Nor have companies fallen over themselves to make donations. Despite this, the society has increased its membership this year to an all-time high and enquiries and donations are rising.

"A Pattern of Slavery: India's Carpet Boys," Anti-Slavery Society, 180 Brixton Road, London SW9 6AT. £3.50.

An urban jungle — in east London

***Peter Gillman** explains how a forest could cover some of the capital's worst dereliction*

THE EAST London suburbs, it is fair to say, are not among capital's more Arcadian areas. Dagenham, Rainham and Romford are dominated by unsightly industrial estates and straggling snhnrhan sprawl. Such open space as they do have is blighted by old gravel workings, tip-heaps and derelict sites, bisected by traffic-laden roads where petrol and diesel fumes hang heavy in the air.

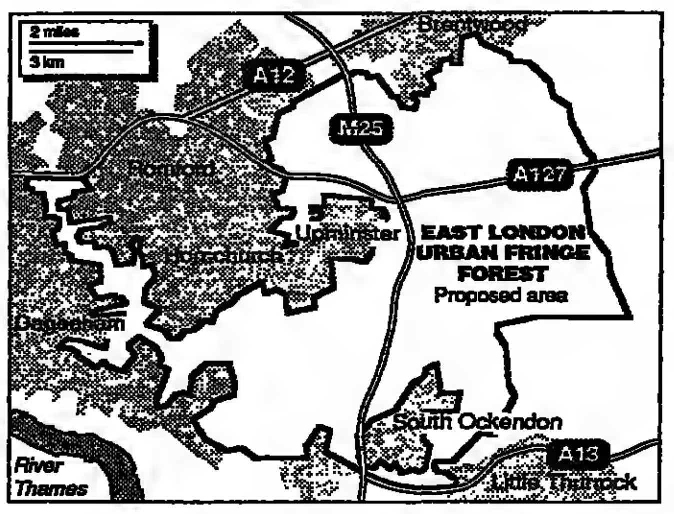
If an imaginative scheme fostered by the Countryside Commission comes to fruition, the area's lacklnstre environmental image will have to be revised. Tbe commission's visionary aim is to plant a forest across the best part of 85 square miles.

While politicians parade their environmental rhetoric, the plan amounts to one of the most ambitious practical contributions to the greening of Britain ever proposed. Not only would it be the first new forest to be planted in southern England for centuries, it also represeots a bid to involve Londonere in key decisions about their surroundings.

Beyond that, the forest is one of 12 that the commission hopes to see established in England and Wales by the end of the century. Together with new urban forests at sonth Tyneside in the north-east, and near Walsall in the West Midlands, the east London project was announced by the commission on Tuesday. The remaining nine are still at the discussion stage while, in Scotland, a similar schame has heen mooted for the drab terrain between Glasgow and Edinburgh.

The commission, a semi-autonomous body which advises the government on enviromental matters, drew its inspiration from the ample precedents available in western Europe. West Germany has a long tradition of *Stadtwalds*, former private forests that were taken over by local municipalities; one of the best-known is at Bremen, with facilities ranging from wind-surfing to open-air concerts. Another model was provided by the Bos Park at Amsterdam: a 2,200-acre forest plantad as a job-creation scheme in the 1930s with canals, lakes, even a large artificial hill (which has, naturally, proved popular with the Dutch).

Tha Countryside Commission, in partnership with the Forestry Commission, proposed the east London scheme in 1987. Talking of an "exciting opportunity to adopt a new approach to forestry," and citing examples such as Bremen and Amsterdam, it set about woolng tbe councillors and officials in the plethora of local authorities concerned: the London boroughs of Havering and Barking and Dagenham, Brentwood district council, Thurrock borongh conncil and Essex county council.



Dr Marilyn Rawson, one of the commission's countryside officers, found it intriguing to be persuading councillors to look beyond the four-year cycle of local elections to longer goals. "But they could all see the relevance of the plan to their area," she says. ""We've baen delighted with the response."

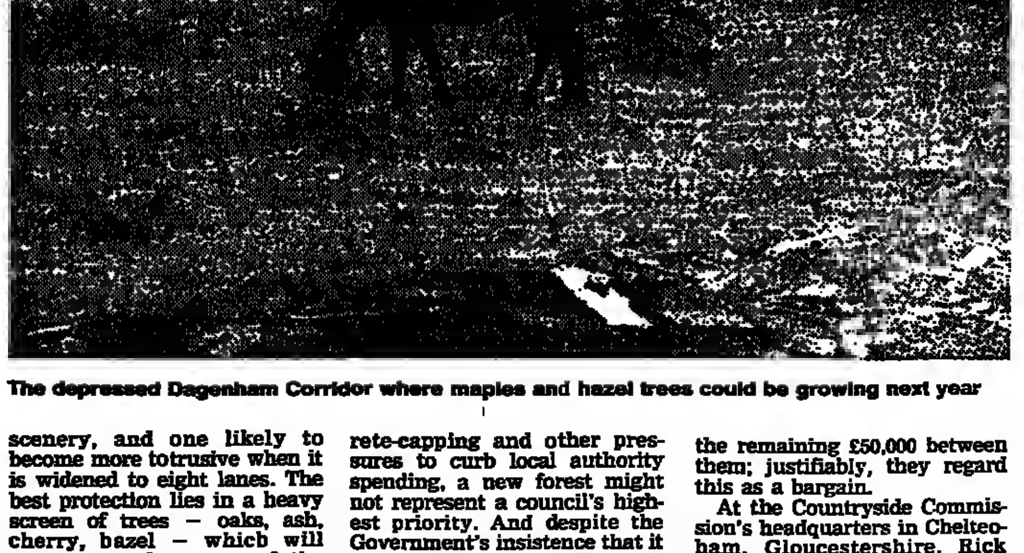
Last month, Rawson provided me with a guided tour of tne proposed forest area. Our first stop was in the Dagenham Corridor, an unkempt strip of open land between Dagenham and Hornchurch. While it inclndes the Eastbrookend Nature Reserve — where a rippling brook makes it possible, briefly, to imagine yourself to the heart of the countryside — it mostly bears the scars of industrial dereliction: piles of rubble, used to fill a former gravel pit; yellowing grass and clumps of thistles where a few horses graze; and disused factories. If all goes to plan, maples and hazel trees could be growing here by next year. Most of all, Rawson would like to see the oak, that emblematic British tree, planted also bnt that depends on tests to see if the soil is suitable.

Two miles further east, the Hornchurch country park gave further intimation of the commission's aims. Hornchurch airfield, one of the RAF bases from where The Few sallied forth against the Luftwaffe in the Second World War, was one of the most famous names of the Battle of Britain. Ten years ago, its remains were bulldozered away and replaced by the park, set up jointly by the commission and Havering council and now to be subsumed into the new forest.

Already, lines of young poplar, ash and hawthorn are growing behind a protectiva fence. Local teenagers were fishing in an artificial pond that has become part of the landscape, and Lawson was delighted to see a common tern circling above.

Four miles further on, a third site showed how much can be achieved. The Belhus Woods country park was opened in 1986 on a site purchased by Essex council before tbe war. The commisston helped to convert a disused gravel pit into a lake, the habitués of which now include children who go paddling and a family of swans. The park is also frequented by school parties, who are taught environmental values, and by ornithologists who coma to watch kingfishers and great crested grebes.

While the Belhus country park serves as a model for many outlying parts of the forest area, it also illustrates some of the problems ahead. From the horizon came tha rumbla of traffic from the M25 — an ineradicable part of the scenery, and one likely to become more totrusive when it is widened to eight lanes. The best protection lies in a heavy screen of trees — oaks, ash, cherry, bazel — whicb will screen oot the worst of the noise. Eveo so, tha planting will have to wait until tba Department of Transport completes its plans.



The depressed Dagenham Corridor where maples and hazel trees could be growing next year

Ownership of the land could pose further difficulties. While much of it belongs to local authorities or is protected by green belt legislation, negotiations are in prospect with individual land-owners who will have to be persuaded that their best interests lie with the scbeme. But those councils wbich have taken soundings already have secured responses that largely are favourable.

Finance is another matter of natural concern. At times of rete-capping and other pressures to curb local authority spending, a new forest might not represent a council's highest priority. And despite the Government's insistence that it now espouses green values, the commissioo has seen many of its recent proposals turned down oo grounds of cost.

In this case, the bulk of the finance in this case will come from the Forestry Commission which, under Government instruction, has been recouping money by selling off its land-holdings. It is to provide the initial planting costs of around £3m while the Countryside Commission — diverting funds painfully from otber schemes - is to pay half the annnal running costs of £100,000, which includes salaries for the project team. The five local authorities are to pay the remaining £50,000 between them; justifiably, they regard this as a bargain.

At the Countryside Commission's headquarters in Chelteoham, Gloucestershire, Rick Minter, one of tbe project directors, believes the new forests offer a prospect for Britain in the 21st ceotury that all should welcome. "They offer great beoefits for individuals and for society and the eovironment," be says.

"They can provide a catalyst for change in areas which have lost their vitality and will relieve developmeot pressure on green belts, belping to keep them really green. They also enable people to make an individual contribution in the battle against global warming. Plantiog trees on your own doorstep is one of tbe best answers we have."

Visitors to the Game Fair try their hand at trout fly casting — Tony Andrews

Fair game for conversion

The annual huntin', shootin' and fishin' jamboree is aiming to win support by putting on a peaceful face, reports Tom Fort

FOR A jamboree whose principal raison d'etre is man's enthusiasm for the pursuit and killing of living creatures, the Game Fair – the third and final day of which is today – presents a remarkably peaceful face to the world.

Although the engines of destruction – the guns and cartridges, the rods and reels – are available at innumerable stands dotted around the site on the Duke of Wellington's estate at Stratfield Saye, the nitty-gritty of death is kept well out of sight.

The falcons stoop, not on terrified mammals, but on bits of sacking. The guns blast clay replicas out of the sky. The gun dogs chase dummies. The fishermen cast their flies into hoops, where no trout are found.

This is partly for practical reasons. The use of live ammunition with 40,000 or 50,000 people around might be a little hazardous, as well as unpopular. But there is also a political purpose to the Game Fair, which is at least as important to its organisers – the Country Landowners Association – as the commercial opportunities it offers.

That purpose is to package the acceptable character of field sports, to educate the public into an understanding of the beneficial role played by the exploitation of sporting assets in the preservation of the countryside.

The Country Landowners Association proclaims that landowners provide resources to sustain the countryside economy . . . conserve our rich and varied wildlife heritage . . . welcome caring visitors from town and city. You will observe that a further opportunity to indulge in the (in my view) perfectly understandable and acceptable urge to hunt and kill creatures is not emphasised.

Although many of the expected 130,000 visitors to the Game Fair are convinced countrymen and practising sportsmen, most are of the affluent urban class. The landowners clearly feel that these are likely to be amenable to the message that field sports, far from being a species of savagery which should be outlawed, are in fact the key to the salvation of what remains of our green and pleasant land.

Polite commercial exploitation walks harmoniously with this benevolent indoctrination. Having convinced a man that salmon were created for him to catch, and pheasants for him to shoot, it is a matter, of course, even of good manners to offer him the appropriate weaponry and accessories. The best of this is to be had at the Game Fair.

Thus, the fisherman can test and buy one of David Norwich's delicate graphite or cane fly rods. He can pop into Hardy's for reel and line. And should he be entirely converted to the cause, he may progress to Ron Taylor's Fishermen's Feathers and pick up the appropriate cape from a Vulturine Guinea Fowl or a Lady Amherst Pheasant with which to tie his flies.

The different facets of an individual sport are all on display. You can buy the temperature controlled boxes for hatching pheasants, the grain on which to feed them, the medicine to give them, the things on which to sit while waiting for them to turn up, the guns with which to kill them, and the socially acceptable uniform to wear while doing so.

There is also a vast assortment of peripheral services. In the Rural Crafts marquee, for instance, may be found Welsh bespoke boots, bark-edged bowls, and what the programme calls "sweeping rainwear," which echoes the Forest of Dean's oak woods and pathways.

One of the biggest attractions is the falconry demonstrations orchestrated by Jemima Parry Jones of the Falconry Centre. You may, if your eyesight is a good deal better than mine, see her 12-year-old captive bred Lanner Falcon ascend to a height of 2,000ft before dropping at 120 mph on its target lure.

The canine, horizontal equivalent is the gun dog trials, comprising both demonstrations and competitions. I would look out, too, for the clay pigeon shooting contest, and in particular for a man named Smoker Smith. So dead centre is this fabled marksman's aim that his clays, instead of disintegrating into fragments on being hit, metamorphose into a puff of smoke. Hence the nickname.

It all sounds like good fun to me. The weather seems set fair and the estate, although a trifle scorched, looks grand. But set off in good time, as the traffic jams are likely to be enormous. Even Soviet State Television is sending a camera crew, although that is not so odd when we remember that Lenin, while he might not have qualified for membership of Country Landowners Association, still counted hunting as his chief recreation.

■ **Game Fair, Stratfield Saye, on the borders of Hampshire and Berkshire, 9.30 am to 6pm. Entrance £7 per person, children under 14 free, car parking free. Access from the A32 Reading-Basingstoke road, to be reached by the M4 *or the M3***

The hunt for the Globe

ARCHAEOLOGISTS searching for remains of Shakespeare's Globe Theatre on the south bank of the Thames do not expect to find anything as well-preserved as the Rose Theatre foundations recently discovered nearby.

After four weeks on the Globe Theatre site, which is directly behind the Financial Times' new headquarters on the river at Southwark in London, the experts say that the 16th century layer has been badly disturbed or destroyed by later building.

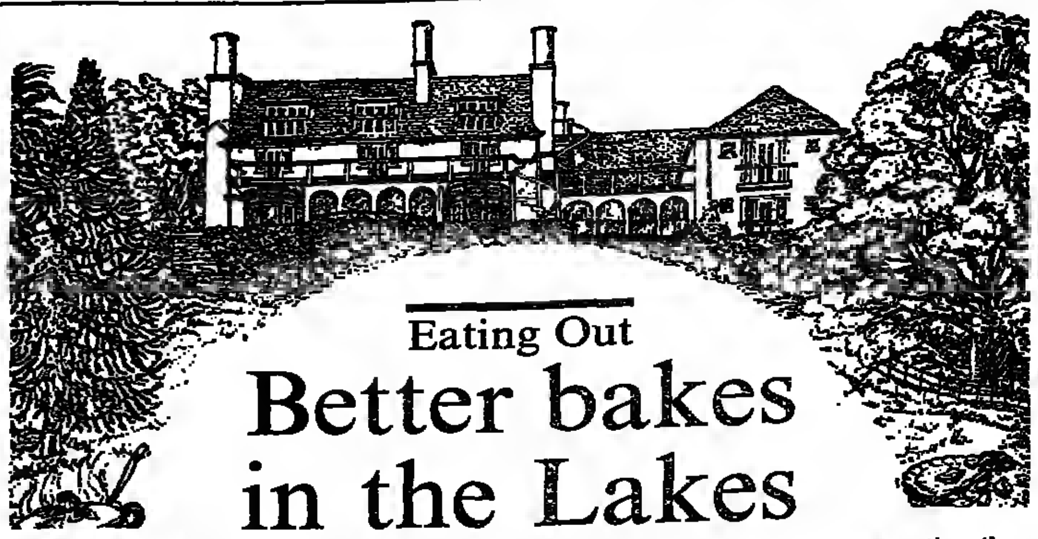
It will take another two to four weeks to establish what, if anything, is left of the famous Wooden O, the cradle of English theatre. Sixteen of Shakespeare's plays had their premiere there, including the great tragedies. The playwright himself was a part-owner of the Globe and performed regularly on its stage, with Richard Burbage taking the lead roles.

Underneath 19th and 18th century dumps the diggers have discovered parts of the workhouse and breweries that replaced the theatre. The Globe was built in 1599, rebuilt after a fire in 1614 with a reported capacity of 3,000 and demolished in 1644.

If the archaeologists' guess is correct Hanson Properties, owners of the site, may escape the public outcry that was raised against Imry Merchant, developers of the Rose site.

There, after questions in Parliament and the intervention of Lord Olivier shortly before his death, a compromise was reached permitting the developers to go ahead with an altered design to allow public access to the circle of foundations.

Still looking for the Globe . . . an archaeologist at work



Eating Out

Better bakes in the Lakes

Cumbrians are learning to love good food, reports Nicholas Lander

RUNNING A good restaurant in Cumbria has never been easy. Tourists have come to the area for its natural beauty, while local Cumbrians present restaurateurs and hoteliers with a series of challenges not often encountered elsewhere.

Most Cumbrians share the very northern trait of wanting value for money – and, indeed, expecting it. In gastronomic terms this has usually been translated into overflowing plates of food - you will very rarely go hungry when eating out in Cumbria. Expectations, on the other hand, until recently were limited: many Cumbrians judged the best restaurant to be the one serving the best, and largest steak – touching in a county which is predominantly still given over to dairy farming.

However, it is the Cumbrian's view of the meal which so clearly makes eating out in the county so different. To most Cumbrians first courses are dispensable, while main courses are a hurdle to be jumped; vegetables provide an excuse to talk about the garden and the weather. It is only when the main course is out of the way that the serious eating can start, with the pudding. Cumbria is undoubtedly the county of the sweet tooth.

These are formidable obstacles for any restaurateur, without even considering the vagaries of the weather or the tourist trade, or the fact that there is still only a small indigenous eating-out population. Success is not guaranteed even for those who start with the very lowest of wage bills – a husband and wife team – and many still mourn the passing of the Passe-partout restaurant in Penrith.

However, many have flourished and there is now an impressive roll-call of hotels and restaurants where the main courses are as impressive as their desserts. These include Miller Howe in Windermere (096-62-2536), Sharrow Bay on Ullswater (085-36-301) and White Moss House outside Grasmere (096-65-295), as well as Rothay Manor, Ambleside (053-94-33605), which still offers probably the best afternoon tea in the area.

That these restaurants and others flourish is not only because their owners have done a great deal for them, but also because they have done a lot for the whole area. In particular Francis Coulson at Sharrow Bay and John Tovey at Miller Howe have drawn into the area talented staff, both in the kitchen and outside, and have encouraged local producers over the years. One can now eat and buy a wide range of very good Cumbrian produce that would have been unavailable in any quantity even five years ago, and can do so very reasonably.

Just what can be done with such raw ingredients is exemplified by the efforts of Lis and Andrew Whistley at the Village Bakery in Melmerby (0768-81-515). In 1977 they began converting a former pig sty and chicken loft into a bakery and restaurant, taking full advantage of the village's location on the shoulder of the fells. Today the bakery produces a full range of bread and confectionery while the restaurant offers very good value breakfast, lunch and – of course – tea.

While sticking strictly to organically-grown products – the wholemeal flour comes from the Watermill at Little Salkeld and there is a five-acre smallholding to provide soft fruit and vegetables around the bakery, as well as 120 free range hens - the menu escapes crankiness. We ate well on calves' kidneys in a cream sauce and a beef and vegetable casserole tinged with coconut. The bill for three adults and two children, including a bottle of elderflower wine and puddings, was £35.00. The restaurant also boasts an engaging craft gallery, very useful in the event of a cloud burst, as well as a mail order catalogue of the bakery's products.

Gastronomically just as interesting, but socially far grander, is the small restaurant situated in the country home of the Hasell family at Dalemain, ten minutes from the M6 junction at Penrith. Behind the Georgian facade there is a lovely Tudor wing and an oak panelled kitchen with a hearteningly vast log fire on rainy days. Here one can eat very well on particularly good home-made soup, Cumberland ham, venison sausages and a range of salads. Needless to say there is a stunning range of home-baked cakes, scones and shortbread should one be forced to stop for tea – all far healthier and more interesting eating than any stop on the motorway itself.

If you are then tempted to go around a very charming country house you only have yourself to blame. The house is open from Sunday to Thursday, 11.15am to 17.00 (tel 085-36-450) and prices are very reasonable – lunch was £17.00 for our party of five, without wine.

Further south, at Bowness on Windermere, Gianni and Judy Berton have put their own very personal imprint on the Porthole Eating House, where they serve dinner only, Wednesday to Monday (096-62-2793). When first presented the menu makes one's heart sink, as it looks so stereotypically Anglo/Italian. However, the Bertons know their customers' tastes only too well, and as well as good-sized portions the quality of the raw ingredients and the sauces is high. The service is professional and friendly yet firm enough to deal with any noisy holidaymaker.

Dinner is about £20 a head for three courses with coffee, but it is with the wine list that the restaurant comes into its own. This is first-class, with a wide range of interesting and rare Spanish, Italian and German wines as well as good Bordeaux and Rhones and even a Cabernet Sauvignon from Queensland, Australia. Prices are very fair – we drank a lovely 1971 Hattenheimer Nussbrunnen Auslese for £25 – but to take full advantage of the list, so good is it, one should either stay close by or have a taxi take home over the fells.

Some of the best Cumbrian suppliers are happy to send their fare to you. In Great Orton, Mrs Beeton's mother's home village, butcher Jimmy Mulholland (who is also the post master) makes very good Cumberland sausage (£1.00 per lb, tel 0228-710298). At Waberthwaite, Richard Woodall produces not only first-class bacon (£1.65 per lb, £2.10 for smoked) but also the very finest Cumberland ham, from £2.70 per lb for a whole ham. Very intelligently, he has also started to produce what is England's closest answer to Parma ham: his air-dried Cumberland ham is available at £1.70 per quarter pound sliced (tel. 06577-237/386).

Finally, to end any meal there is nothing better than the hand-made Penrith toffee from the Penrith Toffee Shop, £1.15 per half pound (tel 0768-62008). All prices plus postage.

Wine

In praise of suave Soave

SOAVE is to Italy what Muscadet is to France: the most popular, inexpensive and most exported dry white wine with a controlled appellation – AOC in France, DOC in Italy. It is mostly produced to the north of the autostrada between Verona and Vicenza in one of the 13 village communes in the hills that descend from the Alps. It is made from the Garganega grape, always associated with Soave, and the Trebbiano di Soave, which is smaller – and, the Veronese consider, better – than the Trebbiano Toscana grape which plays an increasingly minor role in the production of Chianti.

Soave is a much dryer, more austere wine than Muscadet that is often fortified in flavour by the "*sur lie*" procedure. For Italians like their white wines very dry, as demonstrated by the two top ones, Gavi di Gavi and the newly recognised Arneis, both from Piedmont. In the past Soave has been a pretty dull wine, for much of it was pasteurised to avoid the risk of a secondary fermentation in bottle – an admission of technical shortcomings. But this killed the freshness and any development stone dead. However, this has changed in Soave, and the result is a fresher, more refreshing wine to drink as an aperitif or with first-courses or fish.

The average production is between 500 and 600 thousand hl, but only 20 per cent is in the Classico zone which is restricted to the two communes of Soave and Monteforte that adjoin the autostrada. The difference in price in an Italian supermarket make it about 3,000 lira a bottle, compared with 1,800 lira for the ordinary one, and it is worth paying the extra.

The minimum strength for DOC Soave is 11 degrees, but the Superiore, which cannot be marketed until the April following the vintage, has to be 11.5. Some Soaves made by small private growers may be as high as 12 degrees. In a few years the amount of Soave made will be reduced by 20 to 30 per cent, for the EC wants to decrease the output of Italian wines where possible, and it will declassify the vineyards that have spread out on to the flat plain. Presumably this will lead to an improvement in quality – and an increase in price.

Following the award of *garantita* (DOCG) status to Chianti and Albana, Soave has applied for this now somewhat dubious ranking. This will take several years to be decided, but if agreed the maximum yield per ha will be reduced from 100 to 70 hl. That would not be welcomed by all growers, although the best of them are probably already working to *this limit*.

Although plain or Classico DOC Soave is very well-known in Britain, its most prized wine – Recioto di Soave – is not, partly because it is sweet, partly because it is understandably more expensive. Most sweet wine grapes are picked late, but for Recioto they are picked in September, about three weeks before the general harvest begins. They are then spread out on straw or netting and left to shrivel and dry for between one and three months when they are fermented. Recioto is very costly to make, for it takes 100 kilos of grapes to make 30 litres of wine.

Reciotos vary in sweetness and style. They are not luscious like Sauternes and the sweet German wines, but they do keep a certain freshness. The Italians like drinking them with cheese, but in Verona, which is noted for its strawberries, they immerse these in Recioto.

This is very much co-operative country, and there are nine of them, dominated by a huge one within the attractive walled town of Soave itself. This produces 350,000 hl including some red Valpolicella made by its 60 *consorzio* members. It has a capacity of over 40 million litres, and a flourishing direct wine sale including sales to motorists who can leave the autostrada at the Soave exit.

Alongside this competent mass production there are a small number of private firms that make more individual wines, often with rather more body, a little higher in strength and costing an extra 2,000 lira or so ex-cellar.

The best known is Pieropan, with cellars at the top of the main street of Soave. He keeps his wine in wood for a month after the vintage, starts bottling only in April and produces single-vineyard wines. Winecellars, 153/5, Wandsworth High Street, London SW8, which has a highly discriminating list of Italian wines, has the '86 Pieropan Classico at £5.20 and Adnams of Southwold has the single-vineyard La Rocca '87 at £5.95. Tanners of Wyle Cop, Shrewsbury has the '86 Recioto at £7.61 the half-litre. Oddbins has the Pieropan single-vineyard Clavarino '88 at £4.99.

Another very reputable Soave grower is Anselmi, whose Classico '88 is sold by Winecellars at £4.50. Bibendum, 113, Regents Park Road, London NW3 has an unusual Recioto Frizzante '87 at £10.50. Selfridges lists a Guerrieri-Rizzardi Recioto '87 at £10 (£9.80 at Barwell & Jones, Ipswich.)

The other white wine of the Verona province is Bianca di Custoza, produced in a small area to the south-east and south of Lake Garda. Made from an assortment of grapes, with Garganega and Trebbiano Toscana usually predominating, it also has a varying proportion of Tokay (Pinot Gris) and Cortesi.

Although it has a DOC (and is applying for DOCG), it is made by very few growers, of whom only 30 bottle and sell under their own label. Picked late in the autumn, it has a honeyish, flowery bouquet, and more body and character than the general run of Soaves. With good acidity and quite a strong flavour it makes an excellent anti-pasti wine.

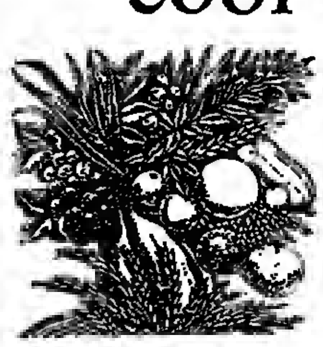
Possibly because of its not-too-easy name, Bianca di Custoza is not very widely distributed here, and it is not clear that these include the two excellent firms I visited on my recent visit: Giorgo and Gianni Piccoli. Oddbins has an '88 at £3.25, and Valvona & Crolla, 19 Elm Row, Edinburgh, has the '87 at £3.09. David Baillie, 86 Longbrook-St, Exeter sells the '88 at £4.09. The shop also has a range of Pieropan wines.

However, the fact remains that interest in the UK in Italian wines is restricted to a few names such as Soave, Valpolicella and Chianti. There are exciting discoveries to be made, particularly among single-vineyard and non-appellation *vini da tavola* which in quality and price comfortably compete with French wines. Only a few specialised firms stock an assortment, while others, with distinguished lists in other directions, claim that there is little market for any but broadly run-of-the-mill Italian wines. Their customers might start asking a few questions.

Edmund Penning-Rowsell

Food for Thought

Hot meals and cool heads



WHETHER THIS is just the odd occasional rogue summer or whether it is setting a pattern for years to come nobody knows, but it does seem possible that we may need to become better *adapted to hot-weather living*.

I have noticed before that most people's idea of English summer food is May/June fare: asparagus, salmon trout, that kind of thing. I suppose that, after June, we are all supposed to go away and eat in Tuscany or Provence or the Seychelles, returning in time to slaughter the game birds. But this won't do any longer. July and August can no longer be written off.

By tradition, the English are not really at ease during hot weather at home; even the half-naked men digging the road look uncomfortable to me. Eating becomes a real problem.

The first way of dealing with hot weather is to have nothing else to deal with. This enables you to give your individual attention to keeping comfortable. If you really get very hot and past all refreshment, food is almost unthinkable.

Nearly 40 years ago, I went to Venice for the first time. I had a second-class rail ticket and a handful of traveller's cheques. Having caught the wrong train, I was turned off at Laroche-sur-Yon where I spent the last few coins in my pocket on a cold bottle of beer on the platform. After sitting up all night, I had to change at Turin at breakfast time. I had my traveller's cheques but no banks were open. And so I came to travel from Turin to Venice by train in mid-August without refreshment.

All around me in the carriage, people were quaffing San Pellegrino and Chianti from the flask and squashing ripe peaches into their parched mouths. I arrived at my pensione more comprehensively desiccated than I would have thought possible and, for about three days, I was unable to do anything with the heavenly dishes of pasta and rice and fish and veal that were put before me. Gradually, though, my appetite returned and I began to see the point of Italian food.

The food of hot-weather countries is what we all like nowadays – Italy, Provence, Spain, India, Indonesia, southern China (although none of these is any good if you have got dehydrated before you sit down).

In fact, there is a body of belief about English summer food which is based on the idea that it should refresh as well as nourish. Asparagus vinaigrette, poached salmon trout with mayonnaise and new potatoes, strawberries and cream – these are foods that it is possible to eat on a warm day without any liquid refreshment beyond a cup of tea.

No-one should ever sit down to dinner feeling thirsty; the cuisines of countries where heat is a fact of life offer no solace to thirst, except perhaps for a slice of water melon, which is really a drink in another form.

And so, it is a very hot day and you have had several glasses of mineral water; now what's to eat? First, I think, some tasty carbohydrate. All the Mediterranean cuisines offer us something savoury or salty made of beans or nuts or flour to be getting on with. These are not mere appetisers but snacky fillers and the right thing with which to kick off a hot day. Bruschetta, falafel, rice and chick peas: these things should be fairly dry and not altogether succulent.

It is not only by association that they seem good heat-wave food. Fish can also be good heat-wave food although, on a really hot day, you can sit and watch fish becoming unfit for human consumption as you look at it. Crisply-fried whole little fish – whitebait, sardines, red mullet of the size you get round the Mediterranean – can sit firmly in the sunshine without wilting.

Some might think that any kind of stew should be out of the reckoning as the temperature soars. As for me, I would rather eat a daube of beef or lamb or a goulash on a hot day than I would a joint of roast meat - *something redolent* of Southern flavours and enhanced with savoury juices.

So, nowadays, we can have English summer food in May and June and let foreigners take over in July and August. A lot of people stand by what they think of as the Mediterranean diet all the time; it's so good for the heart. But when we eat like this, I think most of *us think* of Italian and Provencal food, with perhaps gestures to what is common in Spain and Cyprus.

The bulk of the world's population lives in places that are very hot indeed; so the right food for a hot day is what most of our fellow-humans eat a lot of the time. We may not feel inclined to bow to the superior hot-weather wisdom of the dwellers around, say, the Gulf, but you do not have to be an Arab to know that an Englishman's diet will not do when it's hot.

The answer for which we are looking is not to the question "What do you eat on a hot day in Kuwait?"; your guess about that is probably better than mine. Rather, it is: what can you eat during one of those occasional roasting days in Britain?

I suppose the answer for many of us is that you try to stop thinking about food, open a tin of salmon and run up some sort of salad to go with it. You will drink a lot of lime juice and wear a straw hat and let your braces dangle.

Somewhere under that brassy sky, though, someone is doing better. They are having a few hot fried fish and some warm vegetables tossed in olive oil, and a very little ragout of veal with olives and lemon (just enough to make a rich, meaty sauce with some pasta or chick peas) and some nice fresh fruit – peaches, perhaps, or nectarines. Not a day to bring out the cheeses, I'm afraid. And there must be plenty to drink. But what you drink is up to you.

Peter Lewis

Hot news on the best-dressed tresses

***Lucia van der Post** reports on top to toe summer style, picks wrinkle-free travel irons and relaxes in foldaway furniture for lazy, hazy days*

WHEN I was a small girl all of us with straight hair wanted curls and all those with curls longed for nice, chic straight locks. These days, of course, those of us with straight hair can always have a perm, but the trouble with many of these is that they leave the hair much, much curlier than most of would like.

What women *really* seem to want is something in between — some way of keeping the stylish look one's hairdresser manages to achieve without resorting to lots of fluffy curls. Andrew Lockyer, who a few years ago created what he called the "Strayt Perm" (which did exactly what it sounds like - ie took out the bumps, the kinks, the curls and permed the hair straight) has now come up with another invention — the Style Perm.

This time he has developed a new formula (and no, he's not going to tell me what it is for fear that everybody else will copy him) which holds the hair style in place for between six and eight weeks. It keeps the shape of the style that it was set in even through washes and swimming.

Andrew Lockyer specifically developed the formula after observing that all his carefully cut soft rounded backs, what he calls "the poignant point," looked delicious when they left the salon but lost their charm when his client washed her hair herself.

Style Perm is particularly effective for styles such as the one photographed right - a Twenties waved bob. Styled perms take about about an hour and half and prices start at £16.50. Andrew Lockyer still offers his Strayt Perms, which start at about £36. His salon is at 65, Broadwick Street, London, W1, (tel 01 494-0530).

■ Endless hot, sunny days of the sort that this summer has dispensed seem to divide working women quite clearly into those who believe that they are never properly dressed unless their legs are clothed, too, and those who relish in revealing acres of limb and who go happily to office, restaurant and meetings without a glimmer of what is known in the trade as "hosiery."

My view is that it all depends on one's limbs. The shapeliest, brownest and most cared-for of limbs seem able to survive, indeed to blossom, in the hot weather, but for those whose pins are less than glorious, perhaps the best answer is the ultra-sheer tights and stockings made by Hanes Hosiery. They are light, cool and almost colourless — above all don't go for thick beige or suntan colours, they look terrible. Ask for the "Sheer Luxury" 10 dernier with Lycra (£3.99 at Harrods and Selfridges). Otherwise look for Dim's ultrasheer, called DIAM, at £3.75, Elbeo's Simply 10 at £2.99 or Dior's Dioresse at £1.69.

If you can't bear to wear *anything* on your legs then at least make sure they are brown. If you haven't had much time to sunbathe, you might like to know that Cosmetics-To-Go has brought back Liquid Stockings, the "Forces Favourite."

Based on the formula that kept morale high in wartime Britain, it is a tinted brown liquid that can be smoothed over the legs to make them look silky and tanned. It's quite a palaver to use — you first have to rub your finger nails over a cake of soap so that the tips of the nails won't be filled with brown, then carefully protect carpets and other textiles from damage, and then spread the colour over the legs, smoothly and evenly. Rain also seems to damage the smooth and silken look, but the bottle certainly packs a lot of nostalgic charm. A 100ml bottle costs £3.00.

Cosmetics-To-Go sells all its wares by mail through a charming brochure (printed on recycled paper) filled with all manner of enchanting cosmetics — from an Africa range of suncreams, soaps, insect repellents and shaving lathers tested in the Selous in Tanzania, to old-fashioned vanishing cream and cold cream.

They also stock Mistress's Lipstick ("never comes off on a cheek or collar") and a calamine powder and vegetable-based soap for sensitive or problem skins. There is also a lovely-looking range of "cruelty free" cosmetics which have not been tested on animals.

To order a product or a brochure ring 0800-373366. There is also an advice line — 0800-373385 — in case you have a problem with any product, or want to know which one might be right for you.

Not any old iron will do

NOW THAT the crumpled linen look is past its peak, squeaky-clean and stay-pressed crisp is the thing to aim for. So what the well-organised traveller needs when visiting parts that housekeeping services do not reach is a good travelling iron.

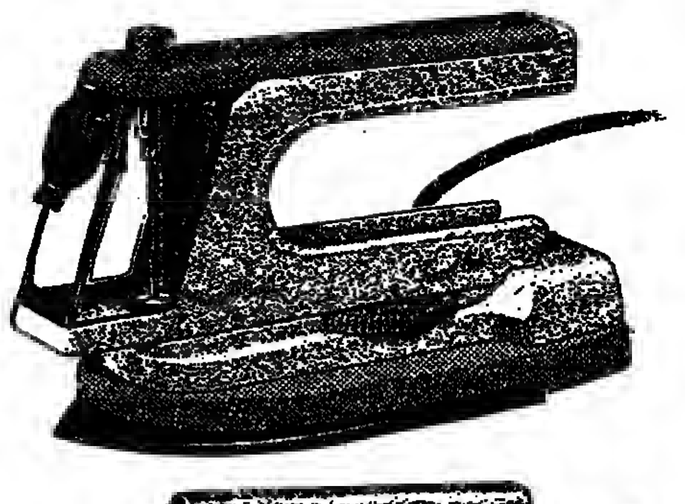
However, I'm not sure if such a thing as the perfect travel iron exists. When it comes to making a choice, one seems constantly to be trading one advantage off against another. If lightness and size are all, then it is not going to iron perfectly. If it stars at dealing with the creases then it tends to take up rather more room and weight than one can afford to give it.

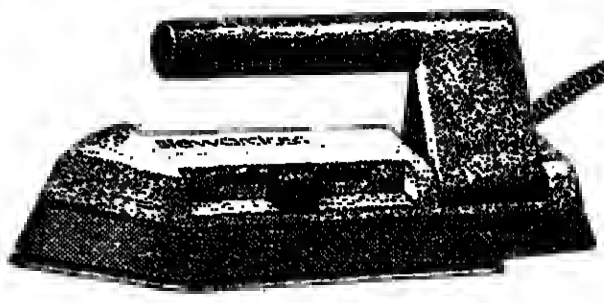
Sketched top is one of the few steam travel irons on the market. The handle shown so upright here is detachable and packs down completely flat; the iron is thermostatically controlled and, like most useful travel gadgets, it is dual voltage (120/240v). In spite of its lightness and smallness (just 6in long) the steam really does help to iron out the creases. £13.95 from Harrods of Knightsbridge, London, SW1

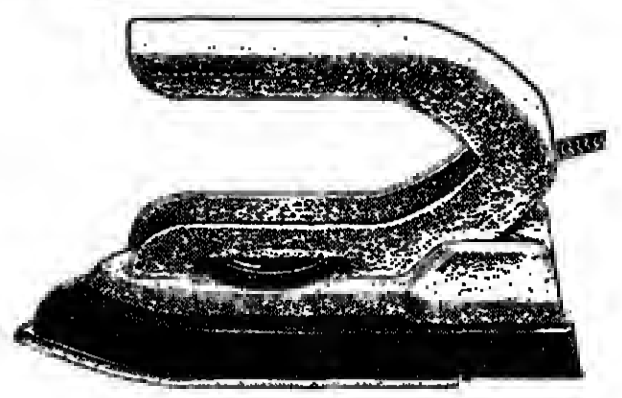
Second from the top is the tiny Philips Stewardess travelling iron. At just 7in long by 1in high, this truly takes almost no space in your baggage. It has a fold-down handle, a non-stick surface and is, of course, dual voltage. £7.25 from Selfridges, Oxford Street, London, W1.

Sketched second from the bottom and bottom right are the two parts of one of the most practical devices that I have come across. Black & Decker winsomely calls it its "Travel Twosome" — in a neat little red and white plastic case they pack a tiny foldaway iron (6¼ in long) and a 600/1200 watt hairdrier. Both are very light and very small, so don't expect enormous power. They operate independently and each can be used on 120v or 240v. £19.95 for the pair from Selfridges, Oxford Street, London, W1. (Free delivery in London, available by mail outside).

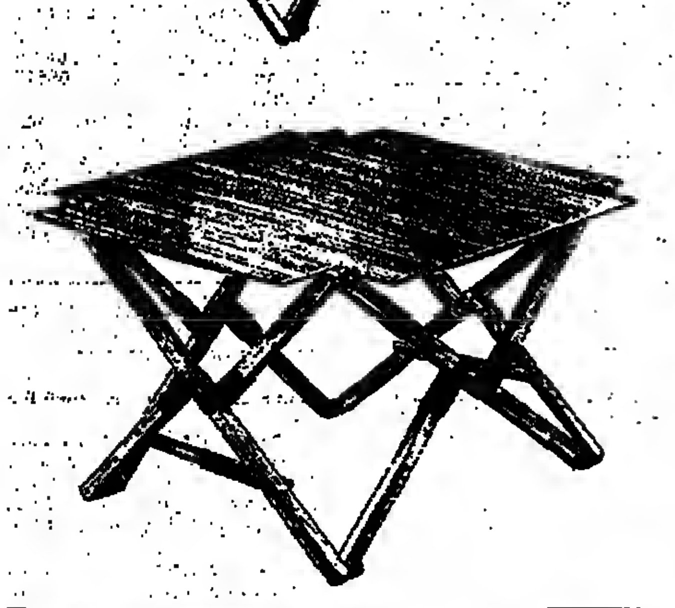
■ Those who believe in travelling well-equipped should look out for the snappily-packaged Vacation range, which is on sale at all SupaSnaps shops. Besides an international adaptor for those who take electrical gadgets to far-flung parts (£4.99), there is also the Continental adaptor (£2.49) and a whole host of other gadgets. There are neck pillows — a wonderful device for those going on trans-continental flights — mosquito repellants, a light, portable gadget called Pocket Optics (what you might call low-precision binoculars), and, finally, a beach bag which doubles as a huge pillow when you blow it up.

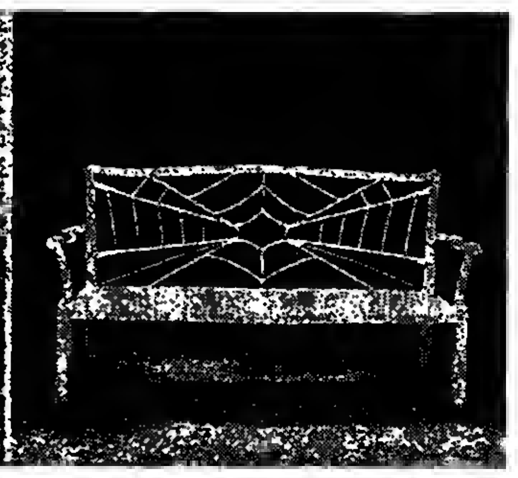






ILLUSTRATIONS JAMES FERGUSON





IT'S THE best summer for years, the sun is shining the way it does in the Med, the great outdoors calls — what you need, whether on the move or at home, is something to sit on. Sketched left is the perfect, compact, foldaway picnic chair and table — take them camping, on picnics, in the car boot on holiday, or to cricket matches on the village green.

The table and chair, by Princes Design Works, are made from sturdy Coigue wood (from a sustainable source) and fold up small — the table folds down to 5in by 5in by 27in long and when unfolded is 18in high. The chair folds down into to fit inside its own creamy cotton canvas bag (4in by 4in by 40in long). The seat height when erected is 15in and the seat is made of the same creamy cotton canvas as the bag. It weighs just 4kg so it is relatively light to carry. Both table and chair cost £53.50 each, plus £3 post and packing for each item. Available singly or together from Naturally British, 13, New Row, Covent Garden, London WC2N 4LF.

For something more substantial for the garden — a fine new chair, a splendid pot, a piece of sculpture or maybe just a plain and beautiful piece of stonework — today and tomorrow are the last days of the Oxford Gallery's great annual garden exhibition. For the last five years every summer it has shown the work of artists and craftspeople who produce ornaments and furniture for the garden and the exhibitions have grown increasingly as more and more artists turn to the garden as a fertile source of inspiration.

Though the exhibition closes on Sunday (after being open from 11 am to 7 pm) any of the work by any of the artists can be ordered from the gallery at any time. To give you something of its flavour, photographed above left is one of Monica Young's stunning garden pots. These are fast becoming collector's pieces — as the price of £4,764 indicates - but at 145 cm by 89cms they could make a dramatic focal point of any garden. Photographed above right is a spider's web garden seat made from Iroko and microporous paint (96 cm by 165 cms by 60 cms) by Nicholas Hodges. In an edition of 50, each one costs £785. The Oxford Gallery is at 23, High Street, Oxford OX1 4AH.

ALL PACKED up but nowhere to go? Ready for adventure but wondering where and how? There have been three last-minute cancellations on the FT/Abercrombie & Kent safari to Zimbabwe leaving on September 15 and arriving back on October 1. Accompanied by John Stevens, one of Zimbabwe's crack guides, the safari will take in mobile tented camps, canoe trips on the Zambezi, game tracking in the bush and houseboats moored on Kariba.

Zimbabwe still has some of the most abundant game in all Africa, so it should be a special experience for all who love wildlife and the great plains and savannahs of that country. Anybody interested in going should write to me at the Financial Times (Number One Southwark Bridge, London SE1) and you will be sent a full itinerary. The price is £2,995.

Cookery

A fine fish dish for the Great Indoors

GRILLED FISH, fresh and vibrant in its simplicity, is, in my view, best cooked out of doors, and next week food for eating out of doors will be my theme. This week however, a sense of fair play leads me to suggest a recipe for lovers of fish whose estates do not extend beyond a window box.

Frikadeller of fish is definitely a dish for cooking indoors. It lacks the robust simplicity of foods I associate with the Great Outdoors. Its charms — and very considerable they are — lie in its purity of taste, in the wonderful delicacy of its texture, and in the not inconsiderable virtue of being one of the cleanest and least smelly ways of cooking fish that I know.

All the same, it makes sense to take certain precautions whenever cooking fish indoors, particularly when the temperature soars. Rule number one is to wrap all fishy scraps quickly in a thick wodge of yesterday's FT and to drop the pink parcel directly into the dustbin outside, not into the kitchen waste-bin. After a thorough scrub, wipe your hands as well as the chopping board with a cut half-lemon or lime to dispel any trace of fishy whiff.

The final *coup de grace* (unlikely to prove necessary after cooking this mild-mannered recipe, but worth remembering for other occasions) is to toast a couple of coffee beans slightly on the hob. They will change the atmosphere far more effectively and agreeably than any aerosol-canned air freshener.

Whiting wins by a good tail as my prime choice of fish to use for frikadeller as it makes for a much lighter-textured dish than fresh haddock, cod or coley, all of which are other possible candidates.

The sort of fishy purée on which the recipe is based is a favourite in Scandinavian cooking. Sometimes, it is baked or steamed in a bain-marie to make a hot fish pudding or mousse. In Denmark, the mixture is often shaped with spoons into small rounds or ovals and fried. In Norway the little shapes are poached, and I think this produces the most refined and delicious results.

The name frikadeller is often translated as "fishcakes," which seems to me misleading because frikadeller are quite unlike the appetising but solid fish and potato mixture we call fishcakes here in Britain.

Frikadeller are positively featherweight by comparison, much more akin to quennelles and beautifully airy and light when made properly. In the old days, preparing them must have been a labour of love — and brawn. The cook rolled up his or her sleeves and pounded away with muscular patience and mortar and pestle for hours, reducing the fish to a purée, working in butter and a *soupçon* of flour (usually cornflour or potato flour) to make a smooth paste, beating in plenty of seasoning, some eggs and as much cream or creamy milk as the mixture could take and still hold its shape. Now, at the flick of a switch, we can command a food processor to do the job in seconds.

Frikadeller of fish
(serves four)

For the frikadeller: generous ¾ lb whiting fillets; 1 teaspoon salt; the very finely grated zest of a lemon; 1¼ oz diced and slightly softened butter; 2 tablespoons cornflour; ¼ pt half cream (or top of the milk, or a mixture of semi-skimmed milk and single cream); 2 eggs.

For serving: fresh chopped dill or fennel; wedges of lemon; a jug of melted butter; steamed new potatoes and spinach.

Strip the skin from the fish and pick out any bones. Add to these trimmings a few extras gleaned from the fishmonger and simmer with seasonings for 20 minutes or so to make just ¼ pt of well-flavoured stock. Let it become cold.

Chop the raw fish flesh into chunks, put it into a food processor, add the very finely grated lemon zest, a teaspoon of sea salt and plenty of freshly ground pepper. Purists may say that black pepper spoils the virginal white of frikadeller but I find white pepper too hot and too harsh in taste.

Process, stopping and starting the machine as necessary, until reduced to an even purée. Sprinkle on the flour, add the butter (which should be at room temperature) and whizz again to blend them in.

By now, the mixture should be smooth and very thick. Lighten it deliciously by beating in gradually the half-cream. Pour it through the spout of the machine in a thin stream while the processor is running. Stop and start the machine as necessary to push the mixture down on to the blades. Continue processing until perfectly smooth, light and creamy.

Then add the two lightly beaten eggs and, finally, the cold fish stock. Incorporate them slowly, just like the cream, again stopping and starting the machine.

When it is ready, the fish pureé will resemble heavily whipped cream: rich, smooth and airy and firm enough to hold its shape when spooned. Cover and chill it for 30 minutes or until ready to cook.

The cooking method which follows is the same as for poaching quennelles and for making the marshmallowy meringues that top the pudding known as Floating Islands.

Choose a shallow pan with a large surface area, such as a sauté pan, a Le Creuset buffet casserole, or a heavy-based roasting tin. Fill it three-quarters with water and bring to just below simmering point.

Using a pair of dessert or tablespoons to make neat shapes, scoop the fish pureé into plump oval cushions. Add them to the pan just a few at a time, spaced well apart, and poach very gently for a few minutes. Flip them over with a perforated spoon and, when cooked right through and hot and tender, drain them well on kitchen paper. Keep them hot while you cook the rest.

If you prefer, the scoops of fish pureé can be cooked in the Danish fashion: shallow fried in butter until golden. Either way, serve the frikadeller scattered with fresh chopped herbs on a bed of steamed spinach, and accompany them with a dish of steamed new potatoes, again scattered with herbs.

Hand round a jug of melted butter and wedges of lemon so that everyone can help themselves.

Philippa Davenport

ARTS

Saleroom

The year of the seven figure league

THIS HAS proved an annus mirabilis for the international auction houses. A year ago they had one major problem: how on earth were they going to maintain the momentum of a record 1987-88 season. Now, as they disappear for their annual two month break, they have an even bigger headache: how can they out-perform next year the quite exceptional 1988-89.

The figures tell it all. Sotheby's raised its turnover by 57 per cent to £1.356b. For Christie's the gain was 63 per cent to £1.041b, as against a 10 per cent rise in the previous season. The global dominance of these two houses is quite extraordinary, and they probably account for around two thirds of the antiques sold at auction throughout the world. Turnover at Phillips, third in size in the UK, was around £100m, while Bonhams, although reporting a 28 per cent gain in sales in the first half of 1989, will have an annual turnover of about £30m.

There is little mystery about the success of Sotheby's and Christie's. There are some incredibly rich people in the world, and there number is rising steadily. The salerooms have managed to convince around five hundred of the richest that works of art are both a joy for ever – and a jolly good investment. In theory the salerooms enjoy it both ways: in prosperous times there is cash to spare with which to buy art. In threatening times art can be marketed as a safe alternative haven to money. In addition there are all those other incentives – like social prestige, the competitive collecting instinct, or even the sheer enjoyment in the object – which can motivate buying.

In the immediate future, while the world economy booms, the salerooms can be optimistic about their prospects. The run of very buoyant auctions both draws out new masterpieces and re-assures collectors that art really is a good investment. The succes of the British Rail Pension Fund in selling off its art investment of the 1970s in the past season with generally excellent results, especially in Impressionist pictures, must also have aided sentiment.

Sotheby's is already contemplating what its chairman in North America, John Marion, describes as "the most valuable collection of art ever to come to auction": the treasures of John T. Dorrance (of Campbells Soup) who died in April. The Old Master and Impressionist pictures, the European and English furniture, silver, ceramics, etc, are conservatively estimated to hring in well over $100m in October.

Every time a potential threat to the salerooms appears, a solntion presents itself. When the American economy paused for breath a few years ago, the Japanese emerged as ferocious huyers of art. When the Impressionist handwagon seemed to unsettle the broad based structure of the art market, alternative buying fields, such as Old Masters, antiquities, classic cars, and Chinese works of art, found favour.

The salerooms are still over-dependent on Impressionist and modern pictures, which account for more than 40 per cent of their sales. This is where the big international buying is concentrated, with the major sales in London and New York in the winter and late spring, producing record after record last season. Picasso has been the star of the year, with his auction record price tumbling three times, to settle at $47.85m (£28.1m), paid in New York for "Yo Picasso," an early self portrait of 1901, a price only beaten at auction by the $53.9m, paid in 1987 by Alan Bond for Van Gogh's "Irises" (a painting for which, incidentally, he is now open for offers).

Other Impressionist and modern artists to set new highs include Gauguin, Renoir, Cezanne, Magritte, Dufy, Marie- Laurencin, Bonnard,

Demand for the best has increased on all fronts, says ***Antony Thorncroft***

Fantin-Latour, Munch, Sisley, Boudin – the list goes on and on. But what amazed and delighted the salerooms in New York in November was the money that was left over after the successful Impressionist sales to bid for American contemporary art.

Obviously there was a feeling that the best Impressionists have moved into the stratosphere and that bargains might still be found among the New York abstract expressionists of the period after 1945. American chauvenism, married to new American money, plays a major role in this but one important new buyer was the Swedish businessman, Hans Thulin. He arrived with the declared intention of buying one item from a select group of contemporary artists and promptly paid $7m for a Jasper Johns. He was out-bid for another Johns, "False start" which was bought by publisher Cy Newhouse for $17m, easily a record for a work by a living artist.

However, Thulin managed to acquire a Rauschenberg for a record $6.6m. Others artists in great demand were Jackson Pollock, who raised his best to £6.9m and Andy Warhol who soared to £2.2m. A trio of British artists, Moore, Hockney and Bacon, joined the seven figure league, with the latter setting a record for a work by a living British artist of £3.9m for his "Triptych May-June," a gruesome work depicting in successive canvases the death of a friend of the artist in a lavatory.

The Japanese were the driving force behind the Impressionist boom, but as Christie's pointed out after its last major Impressionist sale in London, sixty per cent of the buyers were Europeans, with the rest split between Americans and Japanese. It is the spread of collecting in this sector and the regularity with which decorative, well known, works by the leading artists appear on the market, which underpin its success.

But what has made the 1988-89 season so extraordinary is the increase in demand on all fronts. This is only for the finest works of art – the market in the middle and lower sections, the demand in the antique shops of village High Streets and along the Fulham Road – has not been nearly so strong. The remorseless disappearance over generations of masterpieces into museums has made prospective buyers acutely aware that they must dig deeply into their pockets if they want to acquire works of exceptional quality.

So auction records were set in Old Master pictures, English and American furniture, Chinese works of art, clocks, antiquities, tribal art, and on and on. Perhaps the key statistics of the season are the number of lots which sold for over $1m. Sotheby's topped that milestone on 250 occasions (as against 114 last year) while Christie's rang the bell on 147 occasions as against 95.

Among such dazzling achievements it is hard to pick out high spots, but perhaps the final commercial appreciation of Old Masters deserves comment. The fact that some of the best paintings of earlier centuries were ridiculously cheap has been commented on for years. Now they are coming, slowly, into their own. In May the Getty Museum paid $35.2m (£22.7m) at Christie's New York for a portrait by Pontormo. Since it was marketed as the finest Old Master in private hands in the US, it could have made more. Even so, it had a knock on effect at Sotheby's Old Master auction in London this month which set records for Murillo, Tiepolo, and Canaletto, among others. But even the Murillo, considered to be among the greatest artists ever in the 19th century, only reached £1.7m – to a Japanese dealer.

But below the surface, are there no troubles? Christie's has to labour under the constant threat of a takeover bid with such stalkers as Robert Holmes-à-Court buying heavily into its shares, while Sotheby's is owned by an American businessman, Alf Tauhman, who, for all his susceptibility to the smart world that Sotheby's has introduced him to, is well aware that he could cash in his investment for a whopping profit.

Thera is also Sotheby's involvement in financial services – tempting potential vendors with advances on the sale of works of art, and buyers with loans to make their hids, at a price in terms of interest. It will also make loans, up to a minimum of £150,000, to owners of works of art that are not for sale. So far Sotheby's has spread its risks and made a $14m annual profit on the service. Currently it has around $140m out on loan, divided equally between potential buyers and sellers of art, and holders of valuable treasures. So far so good, but this credit facility, largely eschewed by Christie's, can cause problems – Mr Alan Bond, who bought Van Gogh's "Irises," would not be everyone's first choice to lavish credit on at a rate of millions.

The great achievement of Sotheby's and Christie's has been to become truly international. Today London might still be the centre of expertise in many markets, but the key sales are elsewhere. Last season New York alone accounted for over a half of Christie's sales (£519m), a gain of over 100 per cent, and it is also the dominant centre for Sotheby's. But both houses are now doing well in Hong Kong, where local Far Eastern buyers set new highs for Ming and Ching porcelain, and Sotheby's in October will be holding an auction in Tokyo.

There are always failures – Sotheby's came unstuck trying to auction off yachts while Christie's had disappointments trying to sell important pictures by Turner and Anatello – but day in day out the salerooms were never more crowded with enthusiastic bidders, an increasing proportion of them private buyers rather than dealers. Amazingly, the boom seems set to continue.

The most expensive Old Master and Impressionist pictures auctioned this season: Pontormo's portrait of Cosimo 1 de Medici (£22.7m) and Picasso's 'Yo Picasso' (£28.1m)

Cats, current hit at the Winter Gardens: too highbrow for some

A peep at the end of the pier

Antony Thorncroft samples cultural life in Blackpool

THEY WERE holding a sun dance on Blackpool prom on Thursday. A troupe of "Aztecs" had been flown across from Mexico: it was the real thing. But the show biz circles in the resort probably would have preferred a rain dance, since the constant sun of recent weeks has lured holidaymakers into digging sand castles and away from the myriad money taking entertainments on offer. Business was suffering.

Blackpool is an eye opener. It is where the old fashioned working class, mums and dads with the kids, and OAPs, and young couples, still come for pleasure. The rasort has changed imperceptibly over the years: it offers bed and breakfast for under £10, and one of the major hotels, the Metropole, expects its guests to bring their own sheets. Only now is big money moving in, much of it coming from First Leisure, which owns the three piers, the Tower, and the Winter Garden among other attractions, and aims to raise the standards to those prevailing in the home towns of the visitors.

Blackpool is still a resort where the recent opening of a McDonalds on the prom is regarded as a considerable boost to the culinary reputation of the place, and where *Cats*, the current hit at the Winter Gardens, is considered too high hrow by some of the locals. Things change slowly in Blackpool – not least the shows on offer this season on the end of the piers and at the Grand. Two of them, the Grumbleweeds at the Grand and Jimmy Cricket on the South Pier, would offer no shocks to members of the audience who woke after a twenty year doze.

But at least the shows are different in their similarity. The Grumbleweeds look to television for their material, with hit and miss impersonations of minor media stars. With their mimicking talents equally minor the result is rather bewildering. The only frisson comes from the fact that they look intensely unhappy in their work. Perhaps they are depressed by the laughs garnered by an aggressive young comedian, Brian Conley, who is not afraid to take on both the race relations industry and the Ken Dodd Appreciation Society. Rude noises run like a leifmotif throughout the show which is graced by the Nolans, now culled to four, who perform songs of cringe inducing sentimentality.

But it is fast, and fairly clean, and quite fun. Not quite so clean as the Jimmy Cricket show on the South Pier, which is almost a children's entertainment. Here we are in panto land with all the stars helping out on sketches which are as old as Blackpool. Cricket plays the Irish idiot who outwits the smart folks, a character who first surfaced in Punch in the 19th century. He has added in hits of Max Wall, Frank Carson and Donald McGill. Indeed part of his act, a letter from his old mum in Ireland, draws heavily on a similar postcard available on the pier.

Although tbe dancers, and the turns, and the costumes, come from the same back stage chest as the variety at the Grand, the Jimmy Cricket show derives from an age before television. Along with a magician who half heartedly saws a dancer in half, it is also graced with a cod tenor, Reoato, whose Italian accent comes straight from Wales, but who enjoys the joke with us. Both these shows come from a world long gone in the sophisticated south, a world in which babies are accepted members of the audience and the loudest laughs come from human mishaps.

In contrast, on the north pier, there is Joe Longthorne. He too does impressions, hut of Shirley Bassey and Frank Sinatra, Judy Garland and Tom Jones. He is the people's favourite, the audience rising as one at the end and raining bouquets on the stage. There is an undoubted air of tension about his performance, a contrast between the nervous, inarticulate young man on stage and the confident voices he summons up.

It is hard to tell whether he is good at his job – he scarcely sings more than a few bars in every pastiche – and sometimes his good ideas, like the impersonation of Norman Wisdom impersonating Johnny Mathis, hardly develop. But he has the strained intensity of the old fashioned artist. His obsession with Shirley Bassey is as much an identification with her character as an apeing of her voice. You can imagine Longthorne dreaming of Las Vegas, but knowing that he can probably never shake off Hull.

All this and *Cats*, which has been such a success that negotiations are underway to hring it back next year, and Ken Dodd, who suddenly appears rushing down the road like a manic Charlie Chaplin, living only in the cheers of his fans. When Lord Delfont announces his investment plans in Blackpool – £30m to be spent over the next four years – Dodd recommends him a good accountant. He is one of the few entertainers who can probably pack out a Blackpool season – the others are said to be Russ Abbott, Freddie Starr and perhaps Cannon & Ball.

But they are reluctant to take the risk, prefering this season to appear only in Sunday night shows, leaving the twice an evening grind to lesser lights like Cricket and the Grumbleweeds. If the holidaymakers seem loyal to old fashioned entertainment they might be more responsive to the attempts to up grade the place in other areas, such as the Tower which is crying out for renewal – away with animals in the circus, the aquarium, the chamber of horrors. Research suggests that 80 per cent of visitors try to avoid eating in the town, so cheap and inedible is the food. They are conditioned to getting a bargain from Blackpool, but are aware of the pleasure from better restaurants, smarter bars, more sophisticated amusements. But leave the end of the (soon to be covered) piers for family entertainment.

Chess

THE British Championship starts at Plymouth on Monday with a strong entry of grandmasters, masters, women internationals, county players and juniors. England's silver medal monopoly in the chess olympics since 1984 means that good performances in the national title contest have a wider significance, and this year's results will influence selection for the coming world and European team events.

An interesting feature of recent chess results is the return of Tony Miles, 34, formerly Britain's No. 1, who now represents the US. Miles is a true chessic cosmopolitan who lives in West Germany, plays in tournaments on both sides of the Atlantic, pays his taxes in Andorra but is still a British citizen.

Some two years ago Miles had a bout of ill-health which led to a period of poor form and a rapid drop in his FIDE world ranking. He slid from a confirmed place in the top 20 to a low position in the top 100. Recently he has recovered much of his former strength and the latest, July 1989, FIDE list puts him at No. 43.

The road back is hard. When Miles was the unchallenged top British player with a rating around 2,600 points, he could rely on invitations to prestigious all-play-alls like Linares, Bugojno and Tilburg and even played a six-game non-title match with Kasparov.

Now his lower rating largely restricts him to competitive opens where a single defeat can knock a player out of contention, and this implies a demanding schedule. FIDE's list shows that Miles has played 73 rated games in the past six months, more than anyone else in the world top 100. This week's game (below) is a classical theme, a gambit attack against a king trapped in mid-board.

■ Michael Adams, 17, of Truro, Cornwall, hecame Britain's youngest-ever grandmaster and the third youngest in chess history when he won the *Icklicki Masters* in north London last weekend. The International Chess Federation (FIDE) requires three gramdmaster results for the title, and Adams already had qualifying results at NatWest 1988 and Granada Leisure 1989.

FIDE is expected to ratify his title at its meeting in Puerto Rico next week. Only Bohby Fischer, at 15, and relgning world champion Garry Kasparov, on his 17th birthday, have hecoms GMs younger than Adams.

Now the new grandmaster faces stiffar challenges. He competes in the British Championship which starts at Plymouth on Monday, followed by the Lloyds Bank Masters in London, where his rlvals include the distinguished Russian veterans Smyslov and Bronstein. In December Adams will face the world elite at the traditional Foreign and Colonial Hastings international.

White: A.J. Miles.
Black: A. Karklins.
Queen's Indian Defence (Reykjavik 1986).

1 P-Q4, N-KB3; 2 P-QB4, P-K3; 3 N-KB3, P-QN3; 4 N-B3, B-N2; 5 P-QR3.

Kasparov's idea, which has heen high fashioo in master chess for more than a decade. White stops B-QN5 and prepares either a central P-Q5 push or rapid piece devslopment.

5 ... P-Q4; 6 PxP, NxP; 7 Q-B2, NxN.

Here 7 ... P-QB4 or earlier 6 ... PxP are probably better; Black's plan to use his queen for central blockade virtually invites a promising gambit.

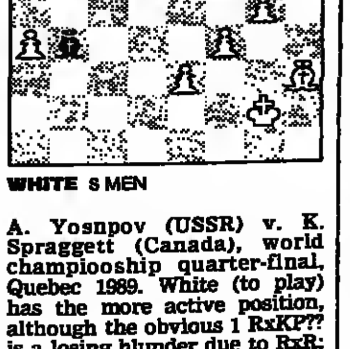
8 PxN, Q-Q4; 9 P-K3, N-Q2; 10 B-Q3, P-QB4; 11 P-K4, Q-B3; 12 P-Q5! PxP; 13 PxP, QxP; 14 B-KN5!

Instead 14 O-O? O-O-O would allow Black to escape. The hishop move sets up mating threats like 14 ... Q-K3 ch; 15 K-Q2, BxN; 16 QR-K1, N-K4; 17 RxN, QxR; 18 B-N5 ch or 14 ... B-K2; 15 BxB, KxB; 16 O-O-O, Q-Q3; 17 KR-K1 ch, K-B1; 18 B-K4, Q-B5 ch; 19 K-N2, BxB; 20 RxB, Q-B2; 21 R-K7! KxR; 22 Q-K4 ch, K-B3; 23 RxN! The game continuation leads to an even quicker defeat.

14 ... P-B5; 15 B-B5, N-B4; 16 R-Q1, Q-B3; 17 Q-K2 ch, N-K3; 18 N-Q4, Resigns. If QxP; 19 NxN! QxR ch; 20 K-Q2, QxP (to stop N-B7 mate); 21 Q-B4 ch and mate next move.

PROBLEM No. 783

BLACK 8 MEN



WHITE 8 MEN

A. Yosnpov (USSR) v. K. Spraggett (Canada), world championship quarter-final, Quebec 1989. White (to play) has the more active position, although the obvious 1 RxKP?? is a losing hlunder due to RxR; 2 BxR, BxR.

Neither Yusupov, Spraggett, nor any of the watching grandmasters and msaters spotted White's best move in the diagram, which was discovered later by the computer Deep Thought. What did Yusupov miss? Solution Page XIX.

Leonard Barden

Records

Favourite cycles recycled

THE FIRST batches of "20th-Century Classics" on CD, which Deutsche Grammophon brought out last year, evidently proved much more popular than expected. At last, it seems, contemporary music has found itself an audience sizeable enough to convince the record companies and many more releases in the series are planned. If most of the latest group could hardly be categorised as contemporary, they do transfer to CD several invaluable recordings that have had ephemeral lives in the LP catalogue.

The most significant single reissue is undonbtedly that of Pfitzner's *Palestrino* (DG 427 417-2, three CDs) in the unique complete recording conducted hy Kuhalik, which first appeared in 1973. The cast, led hy Nicolai Gedda as Palestrina and Fischer-Dieskan as Borromeo, is as fine as could be imagined now, while Kubelik conducts with the breadth and warmth that he can muster for his favoured corners of the repertory. While a professiooal stage production of *Palestrina* in London seems as remote as ever, the renewed availability of this classic performance is some compensation.

At least Busoni's *Doktor Faust* has now been seen at the Coliseum, hut the Ferdinand Leitner performance (427 413-2, three CDs), with Fischer-Dieskau as Faust, William Cochran as Mephistopheles, drily conducted though it is, remains a valuahle docoment for this trouhling, uneveo score, and like this *Palestrina* will remain unchallenged for some time to come.

Two discs from the collection of orchestral works by Schoenberg, Berg and Webern conducted hy Von Karajan have been previously available, hut the transfer of the complete set, recoupled onto three CDs (427 424-2), at last offers Karajan's sumptuous account of Schoenherg's *Pelleas und Melisande*, precisely the kind of work in which he excelled with the Berlin Philharmonic. The Webern performances too are models of a jewel-like kind; that of the Symphony is poeticised in a quite personal way. The *LaSalle Quartet*'s equivalent survey of the Second Vlennese School appeared in an earlier hatch of Classics too, hut their set of the Zemlinsky Quartets (427 421-2, two CDs) makes a useful appendix, even if only one of the works, the Third, shows the genuine origioality one always hopes Zemliosky's music cao demonstrste. In such a heavily Teutonic selection, a two-disc transfer of Steve Reich's *Drumming*, together with a pair of smaller-scale pieces (427 428-2), is the exception, but minimalism of this genuinely exploratory and worthwhile kind benefits from the CDs' absence of background noise, and the piece emerges more impressive and single-minded than evar.

On their mid-price "Galleria" label DG continues to reissue Claudio Abbado's Mahler cycle. The latest instalments – the Second (427 262-2, two CDs) and the Fifth (427 254-2), both with tha Chicago Symphony, remind one of its uniform reliahility; with the Eighth Symphony still to come, it has estahlished itself as the most coosistent Mahler cycle of recent years, tha least idiosyncratic and often the most searching. The same marque has also hrought back the Kootarsky brothers' complete survey of the two-piauo music of Dehussy and Ravel (427 259-2, two CDs), recommendahle both for the austere beauty of their playing – *En blanc et noir* is especially fine – and the simple fact that much of this repertory has been unaccountably neglected.

Now that the CD market has begun to settle, record companies are at last beginning to plan according to their strengths, and investigate the more parochial corners of their back catalogues. Decca's substantial collection of Britten recordings, conducted hy the composer, has only just begun to re-emerge; the latest batch includes *Albert Herring*, (421 849-2, two CDs), *Billy Budd* (41 7 428-2, three CDs) and *The Prince of the Pagodas* (421 855-2, 2 CDs).

For those who can take the English whimsy of *Herring*, Peter Pears' performance in the title role is presumahly definitive, though one can have no misgivings at all about the startling quality of tha digital transfers of any of these sets recorded In the 1960s. The *Budd* is darkly compelling, coodncted hy Britten with unflinching directness and oot a trace of seotimeotality, even if Peter Glossop does not quite arouse the level of compassion which Thomas Allen generated in the recent ENO staging. Both operas, though, were relatively known quaotities; the reoascence of Britten's only ballet score is even more fascinating. The level of Inspiration in *The Prince of the Pagodas* undouhtedly varies, hut the best of the music, especially the gamelan-derived sections of the second act, which were to surface again in *Death in Venice*, shows a slde of Britten's genius which rarely reveals itself elsewhere.

Meanwhile EMI's list of classic opera transfers goes ever more desirable. Barhirolli's *Madama Butterfly* has at last appeared (CMS 7 69654 2, two CDs), douthless to the delight of those who admire it above all other versions, and to more equivocal feelings from those who find its tempi just a shade too indulgent, Renato Scotto's heroine a little overbearing at moments of high intensity, even if Carlo Bergonzi's Pinkerton is a model of comprehension.

The latest Callas *Tosca* and *Norma* to appear are, in both cases, her second EMI recordings of the operas, and both lack the final thrills and vocal security of their predecessors. But by the standards of any other singers no one is going to be seriously disappointed hy either set; the *Norma* from 1960 (CMS 7 63000 2) is conducted by Serafin, with Franco Corelli and Christa Lndwig; tbe *Tosca* (CMS 7 69974 2) dates from 1964, is conducted hy Prêtre and also hoasts Bergonzi's Cavaradossl and Tito Gohbi'a Scarpia. So many treasures – one wonders who bothers to buy brand new releases at all.

Andrew Clements

ARTS

Orange with a dash of Rouge et Noir

David Murray *reviews modern opera at Aix*

AIX-EN-PROVENCE is not notably friendly to the 20th century; so far, the Festival has never found time to celebrate even its native composer Darius Milhaud, though André Campra – safely dead these 250 years – has had a fair innings. This summer, however, has seen not just one but two modern operas mounted at the Festival.

Not exactly productions *by* the Festival: Prokofiev's surrealist fairytale *L'Amour des trois oranges*, energetically staged by the Festival's own director Louis Erlo, was imported *in toto* from Lyon, and Claude Prey's new *Le Rouge et le Noir* was a state commission presented by Prey's regular collaborators, the little "Péniche Opéra." Still, a brave toe was stuck into the water; nobody really knew whether the loyal Aix opera-audience would swallow modern stuff.

The *Oranges* without doubt went down very well. With neat, plain building-block designs by Jacques Rapp, Erlo's production aimed at cartoon characters (in fact we were handed a comic-strip summary of the plot before it began) and swift farce. It made a fascinating comparison with Opera North's recent version, soon to be revived in Edinburgh and later at the Coliseum, in which the rancidly decadent designs are essential to the prevailing sinister tone. The Erlo conception is sunnier, typified by its Prince, less an effete hypochondriac as Jean-Luc Viala plays him than a pure Danny de Vito figure, pear-shaped and peppery.

Among Prokofiev's larkier ideas is the running joke of the warring camps of opera-lovers who keep wanting to intervene from beyond the proscenium. Erlo realises it more effectively than any version I've seen, with spry work by the Lyon choruses as they clamber in and out of stage-boxes and eventually invade the onstage action. The opera wants that extra self-conscious dimension. Even the King, the imperishable Gabriel Bacquier (who was deservedly made a "Commandeur des Arts et Lettres" during the interval on the first night), made his entrance as a humbling latecomer amid the front stalls.

Bacquier was unimprovable, ripely majestic in voice and mien without overbalancing the cartoon idiom. Along with all the other singers, he demonstrated that the vocal lines are so perfectly adjusted to the original French text (Prokofiev's own, with Vera Janacopoulos) that no translation can match it for lucid singability. Viala was indefatigable, as were Vincent le Texier and Georges Gautier as the main supporting comics. Among their excellent colleagues I should mention Gregory Reinhart's Chelio, a lookalike for Jack Nicholson in manic frenzy, Michèle Lagrange's Mistress Quickly-style Fata Morgana, and Jules Bastin's predictably imposing Cook.

The speed and good humour were admirable, the eschewal of anything really creepy or threatening presumably a matter of taste. (Good taste was prominent: what made the Prince laugh at last wasn't the exposure of Fata Morgana's knickers, but of her bald pate, and Farfarello propelled the Prince's airborne convoy by vigorous fanning rather than farting.) Kent Nagano's treatment of the score, which one had expected to be properly hard-edged, was more debatable. I thought it "musical" to a fault – over-smooth, under-accented, too civilised ever to shriek or explode. Surely it's of the essence of this score to hint at raw, irrational menace in even the silliest episodes?

There were few gritty suggestions in Prey's score for *Le Rouge et le Noir*, either. The blows fate deals to class-climbing Julien Sorel are generally cushioned by musical irony in a temperate vein. Rather too much of the second half, indeed, is built from parody-twists on Rossini's *William Tell* for the dramatic good of the whole. Julien's whole-life-flashing-before-him scene at the finish aims to right the balance, but too late – and too lyrically wan, and too indulgently like what any operatic hack might have conceived as an ending.

Prey, who writes his own *livrets*, loves sophisticated wordplay and deconstructionist angles, and the music is not meant to be self-standing. Still, the result of his ironic deconstructing of Stendhal's story into the 19th-century-opera Church Scene, the Letter Scene, the Ball Scene and so forth matches a naive back treatment all too closely. The difference is like the one in the Borges parable, between Cervantes' *Don Quixote* and the word-for-word identical novel (re)written by a sophisticated modernist: a vanishing quantity.

A stronger musical argument might have subverted the overt goings-on to some purpose, but it seemed to me that the handful of sung monologues and intimate ensembles drifted amid a superfluity of pure scene-music, expert but negligible. Where Prey's previous music-theatre pieces have been billed deprecatingly as "opéra épistolaire," "opéra cruciverbiste" etc, he calls *Le Rouge et le Noir* his "opéra-*opera*," on account of its continuous score and its lyrical effusions. Granted the highly professional economy of the piece, "music-theatre" is still what I'd call it. It gained enormously from the gauche, vulnerable, heady-eyed presence of Jean-Jacques David's Julien, which wasn't created by his narrow-gauge music but rather lent pointed sense to it.

Jean-Luc Viala and Didier Henry in L'Amour des trois oranges

Radio

-Isms aired

MONDAY'S breakfast on Radio 4 this week was given by Professor Heather Couper, Vice-President of the British Astronomical Society. Her guests were mostly scientific, with a token artist. Heather Couper confided that she was one of our 7,500 countrymen who have applied to help man the Juno spacecraft; and this is where I must leave the table.

We find it notable that a woman should want to do such a dashing thing, and I shall be rebuked for saying that a woman can "man" a craft. (Or be one of our "countrymen.") I have in fact blundered into Feminism – and there I have met good company this week. In Monday's *Woman's Hour*, there was Fay Weldon with some of the arguments she has made in her *CounterBlast*. She spoke with a Moslem lady about "arranged" marriages. If such things seem wrong to us and we say so, we are accused of racism. Ms Weldon thinks we should have the courage not to mind being called racist or feminist as long as we believe ourselves right.

Then on Wednesday the World Service began *In a Nutshell*, on the "-isms" of our time. This week's subject was Humanism, "the positive side of non-belief." Humanists reject all dogma, though it seems they like some non-dogmatic ceremony at their funerals. Next week, however, we come to Feminism, and I have heard a tape of this. Society, say Feminists, has been constructed by men in an anti-woman mould. I see what they mean, though I do not think men are responsible, but Nature; how otherwise account for the similar sex attitudes of almost every creature we know? The lady who said proudly that she was a deliberate lesbian, and had born her child from artificial insemination, can hardly believe that a whole race would adopt such life.

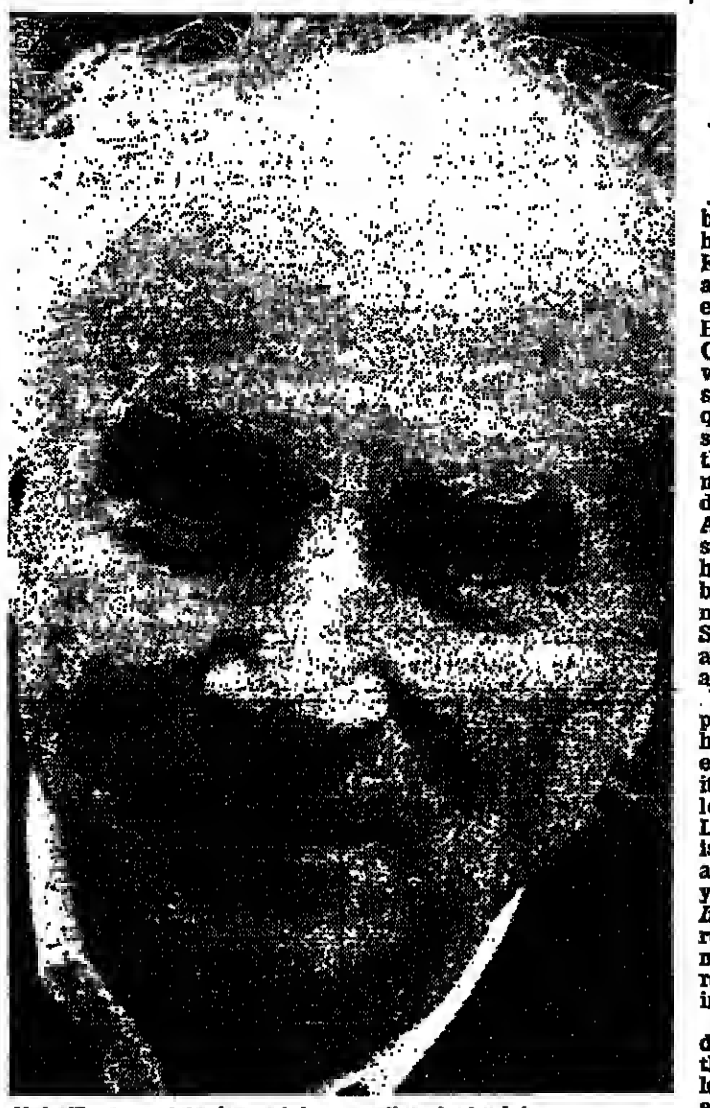
And here I am with the dangerous word "race." Although this series is to include Anarchism, Minimalism and Nationalism, Racism is out. Perhaps no one had the necessary courage. Yet Radio 4 is repeating on Fridays a series by Ferdi Dennis, *After Dread and Anger*, about life in Britain today for African-descended people (such as Mr Dennis) – certainly racist, albeit inoffensive. On Radio 3 yesterday there was *Foreigners* (I missed it), where Peter Pulzer, an Oxford professor, spoke of the relationships between the British and their exotic immigrants.

Mostly I hear the Proms on Radio 3, but writing about them is for musicians. Last Saturday, however, the Prom was neatly bound between two interesting programmes. Before the concert, we heard *Auden the Dramatist*, Peter Porter's review of Volume One of a projected collection of W.H.Auden's theatre works, including collaborations with Christopher Isherwood and writing for film and radio. Emphasis was laid mostly on *The Dog beneath the Skin*, apparently known to its authors as "Dogskin."

Then after the Prom we had a play by Richard Hayton, repeated from last autumn's Young Playwrights' Festival, absurdly called *One Friday Not a Million Miles Past*. This is a half-hour account of an evening spent by a youth named Mazeguy, who lost his job and his girl, and drank a lot of lager. The observation and writing, from a first-person view, were excellent, but where was the invention? The play was largely narrated by John Duttine, while Ian Targett played Mazeguy.

After Wednesday's Prom came Sir Alfred Ayer, with Ted Honderich, his successor as Grote Professor of Philosophy at University College, London. The talk was largely about philosophy and philosophers, but there was some biography. A "perfervid" social life was no handicap; "I can always switch off." "I hold life has no meaning," he said. "For most people it has been nasty." He almost conceded the chance of survival after death, but then took it back. Now never again, alas.

B.A. Young



Kubelik: a musician's work is more than just a job

Living for good, for music, for love

Andrew Clark *talks to the conductor* ***Raphael Kubelik***

RAFAEL KUBELIK is 75. The chorus of birthday tributes in Europe has been led by Bavarian Radio, which is broadcasting a selection of Kubelik's compositions and archive performances from his era as music director of the Bavarian Radio Symphony Orchestra. Kubelik and his wife, the soprano Elsie Morison, are spending the summer quietly at their home on the shores of Lake Lucerne, which they exchange for the drier climate of southern California during the winter months. Arthritis forced Kubelik to stop conducting five years ago: his pain was such that he broke off a Munich performance of Bruckner's Ninth Symphony after the Scherzo, and he has not stood in front of an orchestra since then.

Despite recurring bouts of pain, Kubelik has lost none of his physically imposing presence, his conversational vitality or immense love of life. His long association with the Lucerne Festival, to which he is still an honorary artistic adviser, was celebrated last year with the première of his *Invocation* for tenor, boys' chorus and large orchestra; and a new piano trio recently received its first performance in Cologne.

What he is not prepared to do is dwell on the past. So there is to be no book of recollections, despite the remarkable breadth and variety of his half-century as a conductor. Kubelik's early career was spent with the Brno Opera and Czech Philharmonic. He helped found the Prague Spring Festival in 1946, but left Czechoslovakia for good two years later after the Communist takeover. The 1950s saw a stormy relationship with the Chicago Symphony Orchestra and an energetic three years as music director of Covent Garden. Then came the long Indian summer in Munich. But past achievements have lost importance for him. What concerns Kubelik now is his personal philosophy of life.

It will come as no surprise to former colleagues to find Kubelik voicing the belief that a musician's work is more than just a job. "Every musician has a mission, inborn with his talent, and life is the road of justification for this mission. Every beautiful and adverse moment you face must be filled with your philosophy as a musician and a human being – to do your best, the only option for anyone who has been given this gift. It is not an easy task. But if you cannot fulfil 100 per cent of your talent, you must admit it and not camouflage your failings. Life has its seductive elements, its lies and mischief. A musician has to be a guardian of honesty."

Although he speaks in aphorisms, Kubelik's life illustrates the practical application of his beliefs. There's no doubt that his artistic integrity had an effect on Covent Garden, for example, where his insistence on proper rehearsal schedules once led him to sack Tito Gobbi for turning up late. Where a situation demanded compromise, Kubelik would leave rather than desert his own principles. More than 40 years after leaving his homeland, he is still very much the great hearted Czech, a believer in democracy and political freedom, an advocate of the musician's involvement in the issues of the day, however abstract the nature of his art.

"No political system can survive when it is imposed fanatically or by force, or if it oppresses individual qualities. That's why I left my country. It's why I never accepted invitations to go to Communist or Fascist countries, because people there do not have the same freedom of expression as I have. One has to be involved – not just to protest against certain forms of evil, but to boycott them, and to fight for freedom of thought.

"It's in the nature of mankind to fight for what is good, against lies, atrocities and distortion. Without striving for what you love, you can't create anything. It's part of the eternal nature of creativity, the friction of positive against negative forces in life. There's nothing absolute, nothing objective. The search is everything.

"Music is the purist medium of this philosophy. It conveys all these ideas in their most abstract form. It can't be twisted. Music is much stronger than it seems. It's not just a medium of entertainment or a way of bringing people to love one another. It has the power to heal and to change. My life has shown that people can be changed on the spot in their ethical, philosophical and moral approach to life. If you play the music of any great composer, these things shine through. It's what makes Mozart, Beethoven and Bach a miracle."

Kubelik finds it hard to forgive the Nazis for their manipulation of Wagner or his compatriot Milos Forman for his film portrait of Mozart. In both cases, he believes lasting damage was caused by the way "two great, deep beings were distorted and thrown into a canal of mud." He describes Mahler, to whose symphonies he brought such strength in performance, as "a conglomerate of a human being, infinitely complex. He should have written operas because all his symphonies are like an opera drama, a subjective emotional response to things he lived through. I know of no composer except Beethoven who expressed such love of mankind. Mahler expressed the trivialities, the human banalities, that no-one else had the courage to bring out."

Kubelik's own music reflects the rhythms and harmonies of his Czech origins. His *Invocation*, for example, is a contemplative, almost religious piece, its darkly-coloured orchestral landscape contrasted with the angelic sounds of wordless boys' voices. Kubelik will admit to no nostalgia for Czechoslovakia, and seems to regard Britain as a second home: he says the Scots have a temperamental kinship with the Czechs, and that whenever he comes to London he feels "a roof above myself" – a feeling born in 1937 when he made his first visit with the Czech Philharmonic, reinforced when the BBC gave him his first concerts after his flight from Prague, and undiminished when he gave his last concert with the LSO five years ago.

He has no regrets about retiring early from the concert platform. "I'm a happy man. I may have to endure some pain, but I don't mind it. There's nothing wrong with pain – it can act as a positive spiritual force – as long as you don't create it in others. Music may not provide a physical cure, but it balances it up. It's a mental cure which enables you to face the trouble and the pain, and be master of what you think and do. There are still miles and miles to go. One has to search and search, living for good, for music, for love. There's no other goal."

Ballet

The Bolshoy's Swan Lake

YURY GRIGOROVICH'S *Swan Lake*, the latest novelty in the Bolshoy Ballet's season at the Coliseum, makes clear its creator's intentions to stream-line his company's repertory. Moscow has had a continuing and ambivalent relationship with a ballet which knew its very first performances at the Bolshoy in 1877. Three unsuccessful stagings by 1882, and then the five editions made by Alexander Gorsky, great revitaliser of the Moscow troupe in the first decades of this century, suggest something of the fascination and challenges that the Bolshoy's ballet-masters have found in Chaikovsky's view of the swan myth.

In Soviet times there have been further recensions; for Grigorovich the task was probably both to speed up the action and to cleanse it so as to reveal a theme he discerned both in the swan legend and in Chaikovsky's music. The result is intriguing, no more wilful than many another staging in an age when every company has to court its public with this most popular of ballets, and noteworthy in that it straddles the opposing worlds of Russian traditionalism and modern psychological enquiry.

For Grigorovich, von Rothbart represents that force which stands between Siegfried and an ideal love, and this Evil Genius can be understood as an aspect of Siegfried's personality rather than an external and malign power. This analytical approach is allied to a performance manner which strips away much of that apparatus of spectacle and character dancing which has traditionally coloured Moscow's view of the ballet. Thus Grigorovich turns the third act national dances into classical ensembles, and provides an action which succeeds more by allusion than by ponderous statement. Like the airy designs by Simon Virsaladze, the text is more imaginative than literal – in itself a clear break with the Bolshoy's traditions of verismo and physically dense dance imagery.

To sustain such a production there need to be performances no less richly allusive and classically secure. That the corps de ballet and various soloists provided this on Thursday night, when the production entered the repertory, goes without saying: the swans, courtiers were very fine. The Odette/Odile was Nina Semizorova, an artist of complete technical assurance. Both aspects of the double role are drawn with a clear, taut line, unsentimental for Odette, deeply scored as if with a sharp instrument (Semizorova's dizzying speed and physical prowess) for Odile. It is the sort of direct playing that has replaced an earlier generation's emotionalism. (Anyone interested in the historical process of Moscow style should look at a video of Bolshoy excerpts which contains a priceless clip of Marina Semyonova. There is it possible to see this most illustrious of ballerinas pouring out the feelings and the steps of Odette's solo in miraculous fashion.)

Alexander Vetrov is a Siegfried who rises to every challenge of the choreography – the more taxing the steps, the more he seems to leap happily through them with his big, clear style – and his characterisation resides in this fact rather than in any other depths of playing. From Mark Peretokin a dominating account of von Rothbart; and from Mikhail Sharkov virtuoso dancing that almost redeems that unredeemable nuisance, the Court Jester.

Clement Crisp

Chess No. 783:
1 P-N6 ch! and if KxP; 2 B-B5 ch, K-R3; 3 R-R8 mate or 1 ... K-R3; 2 B-B5! PxB; 3 R-R8 mate.

Welsh epic in an Italian quarry

GODODDIN IS a epic Welsh poem about war, death and destruction, the defeat of 300 Celtic warriors by the invading Angles in the 6th century. The performance of it by Welsh theatre company Brith Cof and British music group Test Dept is violent and angry, an assault on all the senses. It took the audience at an Italian fringe arts festival last week totally by surprise.

They came in their hundreds to a sand quarry on the edge of Polverigi, in the mountains behind Ancona. They were there for the promised spectacular, but unprepared for the ferocity of the action that swirled around them as they stood eye to eye with the actors on the sandy floor.

And swirl it did. As the Celtic warriors tested their strength and prepared for battle and certain death, oil drums were hurled across the site, tyres on ropes swung dangerously close to bodies, fire splattered from pots atop poles. Actors polevaulted to the very feet of the audience. The Italians crowded in, reluctant to give up their prime viewing positions, somehow never believing that any of these actions would touch them. Miraculously, they never did.

The British Council funded this dramatic staging of ancient Celtic history, but the detail of who was fighting who must have passed by many in the audience. The poem, told in a mixture of early and modern Welsh and English, with an Italian translation, occupied the first half hour of the performance when most people were still arriving. The extraordinary collection of scrap metal percussion instruments on Test Dept's stage were grabbing most of the attention and the row of wrecked cars sitting in water were exciting a buzz of speculation (their bonnets later provided the warriors with shields).

But as Test Dept set up a driving percussion to reach a battering crescendo with backing tapes and the powerful voice of Lis Hughes Jones, the audience were caught up in the action. They travelled with the warriors into battle, the sound moving with them as they journeyed round the quarry, lit by cold blue fluorescent tubes.

There was no doubt that they realised that this was war, in all its painful and exhausting detail. For actors and musicians alike (Test Dept also take part in the action) it was a gruelling test of strength and stamina.

When death and destruction had been played out in mud and water, the lament had been sung and the last wail of the bagpipes had sounded, the exhausted cast plodded their way out of the battlefield by the light of a blazing torch. The awed Italians were silent for a long time before the applause came.

The production, one of a series by Brith Gof called the Disasters of War, was first performed last December in a disused factory in Cardiff. It moves on through the summer to an empty crane factory in Hamburg, an ice hockey stadium in Leeuwarden in Friesland in the Netherlands, and an old tram workshop in Glasgow.

Annie Wilson

SPORT

A champion who needs the money

Ben Wright reviews the Open

THERE was general astonishment in the clubhouse at the Torey Pines Club in San Diego on the evening of February 18 this year when Mark Calcavecchia showed up to play in the tournament due to start the following morning without benefit of a practice round. Only four days previously, Calcavecchia had left Los Angeles for a fortnight's break after an overwhelming victory at the renowned Riviera Country Club over Sandy Lyle, among others. Two weeks earlier he had "lapped the field," including defending champion Lyle, in the Phoenix Open, beating the previous record winning aggregate at the Tournament Players' Club of Scottsdale, Arizona, by five shots.

Since Calcavecchia had thrown away the Bob Hope Chrysler Classic a week before that – he hit a ball carelessly out of bounds when leading – and finished tied for fourth place in a furious rage, we all believed him when he said in triumph at his press conference in Los Angeles: "I'm going to take two weeks off. See you all in Florida." At that early stage of the season, Calcavecchia had earned no less than $358,912, not to speak of another runaway victory in the Australian Open late in November. He had certainly earned a break.

So why had he shown up suddenly in San Diego? a colleague asked. The frank reply was every bit as surprising as had been Calcevecchia's reappearance. "I need the money," he said, bluntly and seriously. Calcavacchia went on to explain that he had returned to Scottsdale, where he was building a huge second home (his first is in West Palm Beach, Florida); had bought two cars for cash: the most expensive Porsche for himself and the *top-of-the-line* BMW saloon for wife Sheryl; and had given the rest of the available money to his builder.

I feel that this story illustrates perfectly the brash, impulsive nature of the 1989 British Open champion, a sort of latter day riverboat gambler or gunslinger. Much has been made of Calcavecchia's once uncontrollable temper and of the calming influence that his wife, formerly an aerobics dance teacher, has exerted upon him. But in these dull days on the US tour – with so many journeymen preoccupied by making a fat cheque as often as possible – I find Mark's obsession with winning, and his total honesty and considerable humility, very refreshing.

Calcavecchia might be a little short on the social graces but he is constantly working to improve that image. Not long ago, he was voted the worst dresser on the US tour. But who cares if he looks like an unmade bed when he can produce the kind of wonderful second shots he ripped into Royal Troon's 18th green, first to get into the three-man, four-hole playoff and then to win the championship?

Calcavecchia will not be allowed to defend his title at St Andrews next July using the square-grooved Ping Eye 2 clubs with which he has earned all his seven victories (five of them in the US) because these clubs will be banned from major competitions world-wide on January 1, 1990. But "Mr Ping," the brilliant scientist and inventor Karsten Solheim, told me at Troon that, after years of trying to persuade the governing bodies on both sides of the *Atlantic of the error of their* ways, he has now been forced to brief attorneys for a possible lawsuit.

The drama of the final afternoon's happenings at Royal Troon produced a fascinating comparison between the winner and the two magnificent Australian sportsmen he vanquished, Greg Norman and Wayne Grady, both born in Queensland. Calcavecchia and Norman have only one speed – flat out – but the telling difference between the two is that Calcavecchia has the velvet touch of a magician on and around the greens.

In complete contrast, the terrier-like Grady is like Nick *Faldo*: a man apparently seemingly pre-occupied with avoiding fatal mistakes by hitting fairways and greens. I suspect that, in the finish, the immensely likeable Grady found his shirt collar getting a little too tight for comfort. But this courageous and tenacious battler will be all the better for this experience.

Whether Norman can recover from another crushing disappointment, after playing probably the most exciting 20 holes in the history of the championship (containing no fewer than 10 birdies), remains to be seen. As I watched him hit his second shot from behind the 17th green in the play-off, with his second Open title in the palm of his hands, I could not help thinking what my American commentating colleague, Ken Venturi, the 1964 US Open champion, might have been saying had we been broadcasting.

"The only thing in Greg's mind right now should be to *somehow run the ball down to* within three or four feet from the hole, take his par, get out of there and the title is his," Venturi probably would have said. Perhaps the lie was just not good enough but, in the 20-20 vision of hindsight, the putter might have been the better club to get the job done. Certainly, Norman's chip was one of those that can be described as having "gone off in his hands."

Norman's 325-yard drive at the 18th hole, which found a right fairway bunker that, until that moment, had been considered out of range from the tee, was the final act of suicide. At such compelling moments golf is perhaps the cruellest game of all, in that there is no one else to blame but yourself. Just as surely, Grady will find it hard to expunge from his mind the nightmare of his two terrible tee shots at the 17th hole that cost him the lead he had held since around midday on the *Friday, as well as his final* chance of prevailing in the play-off.

While on the subject of things terrible, the play of most of Europe's big guns two months before their defence of the Ryder Cup falls largely into that damning category. With the notable exception of the *delightfully* happy Ulsterman David Feherty, who showed that the tough business of professional golf can still be fun, and Faldo, who proved a worthy if ridiculously short-priced favourite, there was little to enthuse about. Certainly, the morale of the US contingent was given a massive lift by the fact that it supplied 10 of the top 22 finishers, six of whom are assured already of places in the American team to challenge Europe in September.

How sweet it is: Mark Calcavecchia kisses the Open trophy after winning a three-way play-off

Carry on, Admiral's

Keith Wheatley in Cowes reports on the highlight of the yachting season

HOORAY FOR the odd years in sailing. Every August, hundreds of boats flock to the Solent for Cowes Week, most of them being small, open *day-racers* rather than the "yachts" beloved of the tabloid newspapers. Cowes is a participatory event, full of weekend sailors taking a holiday to race their mates. In sporting terms, it is a fun run rather than a *dream mile*.

Each odd-numbered year since 1957, however, the Royal Ocean Racing Club has staged the Admiral's Cup concurrently with Cowes Week. This is the unofficial world championship of offshore sailing, each participating country being represented by three boats of different sizes measuring approximately 50 ft, 44 ft and 40 ft. The narrow streets of Cowes echo to many exotic tongues rather than the well-bred bray of the English yachtie.

Fourteen teams are entered this year, the traditional players such as Britain, Germany and the Antipodean countries being well to the fore but with interesting contestants such as Argentina and Japan also on view.

Only a year or so ago, the prophets of doom were predicting the demise of the Admiral's Cup. The International Offshore Rule (IOR), which governs boat construction in this event, seemed to be attracting fewer designers and owners. Re-sale values slumped to the extent that a top Admiral's Cup yacht costing £250,000 to build and equip could be picked up six months later for the price of a *serious* BMW.

In the yacht clubs along the south coast, owners who wanted to race at a less high-octane level migrated to the rival CHS rating system. It was more flexible and could give almost any yacht a handicap rating, a big advantage in mixed club fleets.

It was clear that IOR would remain the apex of the pyramid because it is a genuine world-wide racing formula. In Britain, however, it looked very much a pyramid without a base. Only three new yachts *eligible in size terms* for the Admiral's Cup were built in the UK this year. Inevitably, they were picked as the national team.

Alan Gray's new 50-footer, *Jamarella*, is the big boat of the three. Gray has taken British sailing into new areas of professionalism since her launch. He has a largely full-time paid crew, almost all with Olympic or America's Cup experience, and plans to campaign the boat on the burgeoning 50-footer international circuit as if they were a motor-racing grand prix team.

The *Jamarella* took Lawrie Smith aboard recently as starting helmsman, a role requiring the fingertip control of a brain surgeon as the big yacht fights for space and clear air on a start line filled with other fast, determined boats. Smith skippers *Rothmans*, the premier British entry in the Whitbread Round the World Race which starts on September 2; but, until then, he is giving himself a little race practice.

Mike McIntyre is helming *Juno*, the mid-size boat in the UK team. After his individualistic brilliance at the Seoul Olympics, the laconic Scot now has a major team problem on his hands. *A late launch*, and even later modifications, have left *Juno* struggling to find the pace she will need to fend off the crack German boats of her size: *Diva, Pinta* and *Rubin*.

According to Bill Egerton, the national keelboat coach, the new-found spirit of co-operation between the British skippers should more than compensate for minor technical deficiencies on individual boats. "This new system of having the three skippers ride out to the start together on a chase boat for a last-minute briefing is working superbly," said Egerton. "Lack of team spirit has been the classic British problem in the Admiral's Cup."

This hardly surprises anyone who knows the system. During April, May and June, rival skippers and owners pour hundreds of hours and tens of thousands of pounds into trying to beat one another's brains out during the selection process. This year, unforgiveable things have been said and even court action mooted.

Graham Walker, owner of the third team member, *Indulgence*, did his best to avoid the spring-time shennanigans. He took the boat to the One Ton Cup in Naples during May, came second in a world class regatta, and then told the British selectors: "Take it or leave it." They took it since *Indulgence*, steered by Edward Warden Owen, is a potent mixture of experience, resources and organisation.

New Zealand hold the Admiral's Cup and are one more among the favourites for the 1989 trophy. Their flagship, *Librah*, is among the very best of the 42-foot fleet and has been mixing it successfully with higher-rated boats which should have left the Kiwi for *dead*. Michael Fay and David Richwhite, the Auckland sailing entrepreneurs who have managed to drag the America's Cup through two years of court hearings, own *Librah* and the boat lacks for nothing.

Despite being the most formidable sailing nation around, the US has not won the Admiral's Cup since 1961. The present team could rectify that since lead skipper Tom Blackaller is a competitor to match *Mike* Tyson. Blackaller helms *Great News*, the biggest American boat, while on the One-Tonner *Bravura* they have the heady (or volatile) mixture of two Olympic gold medallists: Robbie Haines of the US and Briton Rodney Pattisson. *Bravura* has been cleaning up her end of the fleet regularly.

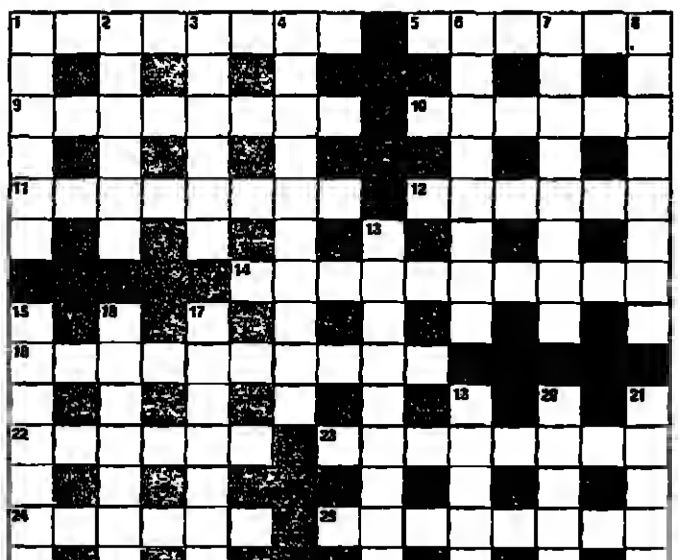
Talk of American derring-do recalls the Fastnet race of 10 years ago when cable-television tycoon Ted Turner drove his maxi-yacht *Tenacious* to victory through a Force 12 hurricane that claimed the lives of 15 fellow-competitors. The Fastnet is still the final component of the six-race Admiral's Cup series and, generally, the event is not decided until the leading boats round the Irish lighthouse just over a week from now. But all the long-range forecasts suggest that this will be a light-weather series entirely.

Ironically, despite improved safety regulations, most competitors probably are less psychologically prepared than ever to encounter a fierce Atlantic storm. Almost all top-level yacht racing is now conducted on courses of 30 miles or so, with all competitors home for tea. Very few motor racing drivers compete willingly in both the Silverstone grand prix and the Paris-Dakar rally.

CROSSWORD

No. 6,998 Set by DINMUTZ

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday August 9, marked Crossword 6,998 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday August 12.



ACROSS

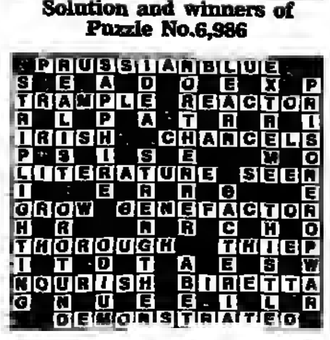
1 Colour of hair, now burnt badly (3-5)
5 Secure outbuilding (6)
9 Wearing a singlet in test is a mockery (8)
10 Reception on own ground? (2-4)
11 Lead used in vehicle protection (8)
12 Mouth commonly allowed a drinking vessel (6)
14 These bars do not allow stock to run out (6-4)
18 150, on the next page, can be a lucky thing (6-4)
22 Rodney in difficulty over there (6)
23 Do in a battery (3-5)
24 What is the most distinctive feature of raccoon-like creatures? (6)
25 It gets hot if backing sad song (8)
26 Testing hearing? (6)
27 One who turns up is minister to the queen (8)

DOWN

1 Aboriginal is artless about time (6)
2 Caravans requiring some extra insurance (6)
3 Usher's wild monkey? (6)
4 Cataracts troubled Fats Waller (10)
6 Producer of army pictures? (8)
7 Volume of learning? No, the opposite (8)
8 Late in the day for slack water (8)
13 Planner gets artist confused (10)
15 Might this craft 'tice Chay away in winter? (3-5)
16 Four, perhaps, tied to a track (8)
17 E.g Antonio, blind in bars? (8)
19 Increased profit? Many are quick on it (6)
20 Supporter of half-day closing? (6)
21 1 down, for example, a close type (6)

Solution to Puzzle No.6,997

Solution and winners of Puzzle No.6,986



Mr B. Dick, Wanstead, London E11; Mrs M. Frank, Wolstanton, Staffs; Mr D. Ridger, Kingston, Surrey; Mr S. Theil, New York; Mr P.J.R. Wright, Wistaston, Cheshire.

TELEVISION & RADIO

SATURDAY

†Indicates programme in black and white

BBC1

8:25 am Roobarb. 8:30 UP2U. 10:55 Weather. 10:55 Grandstand,including 11:00 Cricket:Fourth Test (England v Australia at Old Trafford); 1:45 pm News. 1:10 Rugby Union: New Zealand v Argentina from Wellington; 1:15 Volleyball (Royal Bank Cup from Birmingham); 1:35 Motor Racing (Esso British Touring Car Championship from Silverstone); 2:00 Racing from Goodwood;2:35 Cricket;3:10 Racing from Goodwood;3:15 Cricket;3:40 Volleyball;4:00 Cricket;4:35 Volleyball.

5:35 News. 5:15 Sport/regional news. 5:20 *Rolf Harris Cartoon Time. 5:45 MacGyver.* 6:25 That's Showbusiness. 7:25 Michael Barrymore's Saturday Night Out. 7:55 Columbo. 9:05 News and sport;weather. 9:20 Casualty. 10:10 Stevie Wonder Birthday Celebration. 11:10 *Film:"Hide in Plain Sight"* (1980)with James Caan. 12:40 am The Rockford Files.

BBC2

2:45 pm International Bridge Club. 3:15 Film:"Mouse on the Moon" (1963)with Margaret Rutherford and Bernard Cribbins. 4:40 Cricket:Fourth Test. 6:10 *A Retfal of France.* 6:45 *Beethoven:Roger Norrington directs the* London Classical Players in a historically authentic performance of the "Pastoral"Symphony.

7:35 *Newsview. 8:20 Lord Reith Looks Back.* 8:20 The Session. 10:10 Film:"Lonely Hearts" (1982)with Wendy Hughes and Norman Kaye. 11:45 Cricket:Fourth Test *(highlights of the third day's play between England and Australia). 12:15-12:50 am Rapido.*

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Ghost Train. 11:30 The Monkees. 12:00 The Chart Show. 1:00 pm ITN News,national weather. 1:05 Local *news* and weather. 1:15 Jobwatch. 1:45 LWT 21: 21 Years of London Football. 2:40 Football:The Makita International. 5:00 ITN News,national weather. 5:05 Local *news* and weather. 5:15 Police 5. 5:20 LWT 21: *The Adventures of Black Beauty.* 5:55 LWT 21: Doctor in Charge. 6:25 LWT 21: Please Sir!. 6:55 LWT 21: The Best of Blind Date. 8:10 LWT 21: 21 Years of Laughter. 9:25 ITN News,national weather. 9:40 Local news and weather. 9:50 LWT 21: Bouquet of Barbed Wire. 10:50 LWT 21: *Angel in the Best* company. 11:35 LWT 21: Holding On. 12:35 am LWT 21: Within These Walls.

CHANNEL 4

6:00 am Streetwise. 8:30 The Oprah Winfrey Show. 9:15 Jazz Classics. 9:25 *Murun Buchstansangur.* 9:30 Hand in Hand. 10:00 4 What It's Worth. 10:30 Film:"Ivy" (1947)with Joan Fontaine and Herbert Marshall. 12:20 pm Movie Museum. 12:30 Dance With Me. 1:05 *Film:"Executive Suite" (1954)with Fredric* March,William Holden,June Allyson and Barbara Stanwyck. 3:00 Channel 4 Racing,from Newmarket. 5:05 *Brookside* (Omnibus). 6:00 Five Women Photographers. 6:30 Great Britain *Isles:Scilly. 7:00 The World This Week.* 8:00 Kingdom Of The Sun: Gorilla. 9:00 Intimate Contact. 10:00 Chet Atkins:Certified Guitar Player. 11:10 After Dark.

S4C WALES

As Channel 4 except:
9:30 am Sesame Street. 10:20 Medjugorje Pilgrimage. 11:00 4 What It's Worth. 11:30 Look Good,Feel Great. 12:00 Women Writers:P.D. James. 12:30 pm Peter Quarry Show. 1:00 Film:"Prince of Foxes" (1949)with Tyrone Power and Orson Welles. 6:00 Country Ways. 6:30 The Cosby Show. 7:00 The Characters. 7:10 Rygbi Rhyngwladol. 7:30 Newyddion. 7:40 Radio. 8:20 Yng Nghwmni. 9:00 The Manageress.

IBA Regions as London except at the following times:

ANGLIA

11:30 am Batman. 1:40 pm War of the Monster Trucks. 5:15 Cartoon Time. 5:25 On the Buses. 11:30 Hooperman. 12:00 Film:"Joe Kidd" (1972)with Clint Eastwood,Robert Duvall and John Saxon.

BORDER

11:30 am The Chart Show. 12:30 pm Batman. 1:40 Commentators – Alan Parry. 5:15 The Incredible Hulk. 6:05 Champion Blockbusters. 10:30 Hooperman. 11:00 Film:"Klute" (1971)with Jane Fonda and *Donald Sutherland*,followed by ITN News Headlines. 1:05 am Cinemattractions. 1:35 Film:"Cast a Giant Shadow" (1966)with Kirk Douglas and Angie Dickinson.

CENTRAL

11:20 am The Chart Show. 12:30 pm The *Fashion* Show. 1:40 War *of the* Monster Trucks. 5:15 The Incredible Hulk. 6:05 Champion Blockbusters. 11:30 Hooperman. 12:30 Prisoner:Cell Block H.

CHANNEL

11:20 am The Chart Show. 12:30 pm Skytrack. 1:40 The *Black Sails* Story. 5:15 The Incredible Hulk. 6:05 Champion Blockbusters. 11:30 *Holding On.* 12:30 am Film:"*Carry On Camping*" (1969)with Sid James and Kenneth Williams.

GRAMPIAN

11:20 am The Chart Show. 12:30 pm Supercross:"Honda UK Open". 1:40 The Fall Guy. 2:35 Out *of* Limits. 2:40 Film:"El Dorado" (1967)with John Wayne and Robert Mitchum. 5:25 The Incredible Hulk. 6:05 Champion *Blockbusters.* 10:30 Hooperman. 11:00 Film:"Klute" (1971)with Jane Fonda and Donald Sutherland. 1:05 am Cinemattractions. 1:35 Film:"Cast a Giant Shadow" (1966)with Kirk Douglas and Angie Dickinson.

GRANADA

11:30 am The Chart Show. 12:30 pm Batman. 1:40 Cartoon. 1:45 *The Making of Superman II.* 5:15 The Incredible Hulk. 6:05 Champion Blockbusters. 10:30 Hooperman. 11:00 Film:"Klute" (1971)with Jane Fonda and Donald Sutherland. 1:05 am Cinemattractions. 1:35 Film:"Cast a Giant Shadow" (1966)with Kirk Douglas and Angie Dickinson.

HTV

11:30 am The Chart Show. 12:30 pm Batman. 1:40 The Channon and Ball Video Show. 5:10 The Wonderful World of Disney. 6:05 Champion Blockbusters. 10:30 Hooperman. 11:00 Film:"Flashdance" (1983).

SCOTTISH

11:30 am The Chart *Show. 12:30 pm Batman.* 1:40 The *Making of Superman II.* 2:40 Film:"Journey *to the Centre of the Earth*" (1959)with James Mason,Arlene Dahl and Pat Boone. 5:15 The Incredible Hulk. 6:05 Champion *Blockbusters.* 11:30 *Hooperman.* 12:00 Film:"House of Wax" (1953)with Vincent Price. 1:35 am *Film:"Cast a Giant Shadow"* (1966)with Kirk Douglas and Angie Dickinson.

TSW

11:30 am The Chart Show. 12:30 pm The South West Week. 1:40 Charlie's Angels. 5:05 Newsport. 5:10 Gus Honeybun's Magic Birthdays. 5:15 The Incredible Hulk. 6:05 Champion Blockbusters. 11:30 Hooperman. 12:00 *Special Effects,followed by ITN News Headlines.*

TVS

11:30 am The Chart Show. 12:30 pm Skytrack. 1:40 The Black Stilts Story. 5:15 The Incredible Hulk. 6:05 Champion Blockbusters. 11:30 Holding On. 12:30 am Film:"Carry On Camping" (1969)with Sid James and Kenneth Williams.

TYNE TEES

11:30 am The Chart Show. 12:30 pm Batman. 1:40 The Fall Guy. 5:10 Cartoon Time. 5:15 The Incredible Hulk. 6:05 Champion Blockbusters. 10:30 Hooperman. 11:00 Film:"Klute" (1971)with Jane Fonda and Donald Sutherland. 1:05 am ITN News Headlines. 1:07 Cinemattractions. 1:35 Film:"Cast a Giant *Shadow*" (1966)with *Kirk Douglas and Angie* Dickinson.

ULSTER

11:30 am The Chart Show. 12:30 pm Batman. 1:40 Return of the Monster Trucks. 5:15 The Incredible Hulk. 6:05 Champion Blockbusters. 10:30 Hooperman. 11:00 Film:"Klute" (1971)with Jane Fonda and Donald Sutherland. 1:05 am Cinemattractions. 1:35 Film:"Cast a Giant Shadow" (1966)with Kirk Douglas and Angie Dickinson.

YORKSHIRE

11:30 am The Chart Show. 12:30 pm Who's *the Boss?. 1:40 Charlie's Angels.* 2:30 Cartoon Time. 5:10 21 Today. 5:25 YTV 21: Flambards. 6:25 YTV 21: Tarby's Frame Game. 9:45 YTV 21: The Racing Game. 11:35 YTV 21 Comedy:Dawson's Weekly. 12:05 am *Film:"Murphy's War" (1971)with Peter* O'Toole.

RADIO

(S) Stereo on FM

BBC RADIO 2

6:00 am Graham Knight. 8:05 David Jacobs. 9:00 Sounds of the 60s with Brenda Lee. 10:00 Anna Raeburn. 12:05 pm Gerald Harper.1:00 Someone and the Grumbleweeds. 1:30 Sport On 2, including Cricket, Golf, Motor Racing, Football and Racing from Goodwood. 6:00 Cinema 2. 6:30 Jukebox Saturday Night. 7:00 Three In a Row. 7:30 Peters and Lee at the Playhouse. 8:30 Elaine Paige in Concert recorded at the London Palladium in 1987. 9:30 String Sound. 10:05 Martin Kelner. 12:05 am Night Owls with Dave Gelly. 1:05 Jean Challis presents "Nightride". 3:00-4:00 A Little Night Music.

BBC RADIO 3

7:00 am Morning Concert. 8:30 News. 8:35 Haydn and Beethoven Trios. 9:30 Record Release. 12:00 Mozart String Quintets: Medici Quartet with Michael Cookson: Quartet in B flat K172 and Quintet in C K 515.

1:00 News. 1:05 Classic Opera: Wagner's "Tristan und Isolde" in the 1966 Bayreuth festival production conducted by Karl Bohm, with Wolfgang Windgassen and Birgit Nilsson in the title roles. 5:05 Debut. Robert Brightmore (guitar). 5:35 Jazz Record Requests. 6:20 For the Left Hand. Michel Beroff (piano): Saint-Saens, Bartok, Scriabin.

6:45 BBC Singers in Brazil. 7:30 Proms 1989. BBC Concert Orchestra/Barry Wordsworth, with Richard Rodney Bennett (piano): Bernstein (Overture: Candide), Copland (4 Dance Episodes from 'Rodeo'), Gershwin (Rhapsody in Blue). 9:15 'Dirty Looks'. A selection from "The New Yorker Book of Verse (1925-35) 9:45 Maria Ewing sings songs from Broadway and Hollywood. 9:45 The Colours of the King's Rose (play by Anthony Neilson). 10:40 Composed in the USA. Sophie Langdon (violin) and Shelagh Sutherland (piano): Dvorak (Sonatine Op 100), Bartok (Sonata No 2). 11:30 Jazz Today featuring Eddie Prevost Quartet. 12:00-12:05 am News.

Medium wave as above except:-

10:55 am-6:30 pm Test Match Special. England v Australia at Old Trafford – fourth day.

BBC RADIO 4

7:00 am Today. 9:05 Sport on 4. 9:30 Breakaway. 10:00 News; Now That's What I call Mali! 10:30 Britannia – The Film (s). 11:00 News; *The Week in Westminster with Peter* Jenkins, associate editor of 'The Independent' newspaper. 11:30 From Our Own Correspondent. 12:00 To Keep The Memory Green. 12:25 pm Stilgoe's Around (s). 12:55 Weather.

1:00 Questions *from the Past.* 1:55 Shipping Forecast. 2:00 News; A Family History. 2:30 Smart Boy Wanted (s). 4:00 News; Age to Age. 4:30 Science Now. 5:00 Writers Revealed. 5:25 Little Blighty On The Down. 5:50 Shipping Forecast. 5:55 Weather. 6:00 News; Sports Round-Up. 6:25 Citizens (s). Omnibus edition.

7:10 In the Psychiatrist's Chair. 7:45 Saturday Night Theatre (s). 9:15 Music in Mind (s). 9:50 Ten To Ten (s). 9:59 Weather. 10:00 News. 10:15 The Saturday Feature. 'Natural Forces' Lionel Kelleway explores one of the largest unofficial nature reserves in Wales. 10:45 Norfolk Man. 11:00 When Housewives Had The Choice (s). 12:00-12:30 am News.

SUNDAY

†Indicates programme in black and white

BBC1

8:55 am Playbus. 9:15 Umbrella. 9:30 This is the Day. 10:00 Film: "The Good Companions" (1933) with Jessie Matthews, Edmund Gwenn and John Gielgud. 11:30 Cartoons. 12:05 pm *Sign Extra – Open Space:* 'Licence to Kill'. 12:30 Country File.

21: Upstairs, Downstairs. 6:30 ITN News, followed by ITV national weather. 6:40 Appeal on behalf of the Charity for Music in Hospitals. 6:45 Dial a Hymn. 7:15 Home to Roost. 7:45 *LWT 21: A Fine Romance.* 8:15 *LWT* 21: A Royal Gala in aid of The Prince's Trust. 10:15 *ITN News followed by ITV national* weather. 10:35 LWT 21: A Live Celebration. 11:20 LWT 21: *ABC of the South Bank Show.* 12:20 am The *Chart Show followed by ITN* News headlines.

Upstairs, Downstairs. 11:30 Prisoner: Cell Block H, followed by ITN News headlines. 12:30 am Margo.

CENTRAL

12:30 pm Central Newsweek. 1:10 Flashback...The 60s. 1:30 The Royal Forest of Dean. 2:00 *Highway to Heaven.* 5:30 Coronation Street (omnibus edition). 7:45 Please, Sir!

nation Street. 10:35 The Greenhouse Effect. 11:35 Prisoner: Cell Block H. 12:30 am The Chart Show.

HTV WALES

As HTV except:

1:10-2:00 pm Royal Welsh '89.

SCOTTISH

10:45 am The Partridge Family. 11:15 Link.

Kitchen Garden. 2:30 Benson. 5:30 Coronation Street 7:45 Please Sir! 10:30 Ulster Sports Results. 10:35 "The Double Man" starring Yul Brynner and Britt Ekland.

YORKSHIRE

12:25 pm Grassroots Gardening. 1:10 *Felix the Cat.* 1:30 *Survival.* 5:30 YTV 21: Emmerdale Farm. 7:45 YTV 21: Duty Free.

Dal tuo stellato).

1:30 English Echoes directed by Stuart Hutchinson (piano): A sequence of early carols, songs, *Purcell realisations* and part songs by Britten. 2:20 Cleveland Orchestra: Tippett (Triple Concerto), Schubert (Symphony No 9). 3:35 Dvorak Cypresses, first complete UK broadcast of the Cypresses (B11) sung by *Philip Langridge* (tenor) with Radoslav Kvapil (piano). 4:45 Celebrity Recital.

CHANNEL

GRAMPIAN

TSW

TVS

TYNE TEES

ULSTER

BBC2

S4C WALES

LONDON

ANGLIA

BORDER

GRANADA

HTV

RADIO

BBC RADIO 2

BBC RADIO 3

RADIO 4